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SESSION 1949

HOUSE OF COMMONS

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STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

TUESDAY, MARCH 29, 1949
THURSDAY, MARCH 31, 1949

WITNESS:

Mr. Watson Sellar, Auditor General.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1949



ORDERS OF REFERENCE

HOUSE OF COMMONS,
Monday, March 14, 1949.

Resolved,—That the following members do compose the Standing Committee on Public Accounts: Messrs. Arsenault, Beaudry, Black (*Yukon*), Bradette, Burton, Case, Cleaver, Cockeram, Cloutier, Cruickshank, Dechene, Denis, Diefenbaker, Dionne (*Beauce*), Ferguson, Fleming, Fournier (*Hull*), Fournier (*Maisonneuve-Rosemont*), Fraser, Gibson (*Comox-Alberni*), Gladstone, Golding, Grant, Green, Hamel, Hartt, Heon, Homuth, Howe, Isnor, Jackman, Johnston, Kirk, Macdonnell (*Muskoka-Ontario*) Marshall, Maybank, Murphy, Nicholson, Picard, Pinard, Probe, Raymond (*Wright*), Richard (*Gloucester*), Richard (*Ottawa East*), Rinfret, Stuart (*Charlotte*), Thatcher Warren, Winkler, Young—50. (Quorum 15.)

Ordered,—That the Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

WEDNESDAY, March 23, 1949.

Ordered,—That the Public Accounts of Canada for the fiscal year ended March 31, 1948, and the Report of the Auditor General be referred to the Public Accounts Committee.

THURSDAY, March 24, 1949.

Ordered,—That the name of Mr. Croll be substituted for that of Mr. Gladstone, and

That the name of Mr. Mutch be substituted for that of Mr. Kirk, and

That the name of Mr. Sinclair be substituted for that of Mr. Grant, and

That the name of Mr. Langlois be substituted for that of Mr. Fournier (*Hull*).

FRIDAY, March 25, 1949.

Ordered,—That the name of Mr. Benidickson be substituted for that of Mr. Howe, and

That the name of Mr. Robinson (*Simcoe East*) be substituted for that of Mr. Hartt, and

That the name of Mr. Gauthier (*Portneuf*) be substituted for that of Mr. Arsenault, and

That the name of Mr. Jutras be substituted for that of Mr. Dionne (*Beauce*) on the said Committee.

TUESDAY, March 29, 1949.

Ordered,—That the said Committee be empowered to print, from day to day, 600 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence, and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

REPORT TO THE HOUSE

TUESDAY March 29, 1949.

The Standing Committee on Public Accounts begs leave to present the following as its

FIRST REPORT

Your Committee recommends that it be empowered to print, from day to day, 600 copies in English and 200 copies in French of its minutes and proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

L.-PHILIPPE PICARD,
Chairman.

NOTICES OF MOTIONS

Mr. Macdonnell.—That the Auditor General be asked to appear before the Committee and to give evidence particularly as to certain comments in his report, and that this be the first order of business.

Mr. Isnor.—That the Auditor General be requested to prepare and present a statement to the Committee in respect to some matters which he considers important and particularly in respect to paragraph 100 (page 26) dealing with the decrease of the net debt for the fiscal year, the saving brought about for this particular period, and, as well, for the period 1946 to 1948.

Mr. Probe.—That this committee proceed with examination of administration of Indian Trust Funds, and that officers of Indian Affairs Branch be asked to prepare such material as the Committee may require to facilitate such examination.

Mr. Young.—That this committee proceed with the examination of the contracts and accounts for coal used in the heating of public buildings owned or rented by the Federal Government.

MINUTES OF PROCEEDINGS

TUESDAY, March 29, 1949.

The Standing Committee on Public Accounts met at 11.00 o'clock a.m., the Chairman, Mr. L. Philippe Picard presiding.

Members present: Messrs. Benidickson, Bradette, Burton, Case, Cleaver, Cockeram, Cloutier, Croll, Deehene, Diefenbaker, Fleming, Fraser Gauthier (*Portneuf*), Golding, Green, Heon, Isnor, Jackman, Johnston, Jutras, Macdonnell (*Muskoka-Ontario*), Maybank, Murphy, Mutch, Nicholson, Picard, Pinard, Probe, Raymond (*Wright*), Richard (*Gloucester*), Richard (*Ottawa East*), Rinfret, Robinson, (*Simcoe East*), Sinclair, Stuart (*Charlotte*), Warren, Winkler, Young.

Mr. Warren moved that Mr. Isnor be appointed Vice-Chairman. At the request of Mr. Isnor, and by leave of the Committee, Mr. Warren withdrew his motion.

On motion of Mr. Fleming:

Resolved.—That Mr. Pinard be Vice-Chairman.

On motion of Mr. Cockeram:

Resolved.—That the Committee recommend that it be empowered to print, from day to day, 600 copies in English and 200 copies in French of its minutes of proceedings and evidence.

The Chairman read the Order of Reference.

On motion of Mr. Bradette:

Resolved.—That a subcommittee consisting of the Chairman, the Vice-Chairman and Messrs. Burton, Croll, Fleming, Marshall and Mutch be appointed to consider and report on all matters relating to procedure and agenda, and that, whenever made, any proposals concerning order of procedure in the Committee shall be referred to the subcommittee on Agenda and Procedure.

Mr. Macdonnell gave notice of the following motion:

That the Auditor General be asked to appear before the Committee and to give evidence particularly as to certain comments in his report, and that this be the first order of business.

Mr. Isnor gave notice of the following motion:

That the Auditor General be requested to prepare and present a statement to the Committee in respect to some matters which he considers important and particularly in respect to paragraph 100 (page 26) dealing with the decrease of the net debt for the fiscal year, the saving brought about for this particular period, and, as well, for the period from 1946 to 1948.

Mr. Probe gave notice of the following motion:

That this committee proceed with examination of administration of Indian Trust Funds, and that officers of Indian Affairs Branch be asked to prepare such material as the Committee may require to facilitate such examination.

Mr. Young gave notice of the following motion:

That this committee proceed with the examination of the contracts and accounts for coal used in the heating of public buildings owned or rented by the Federal Government.

Mr. Nicholson gave notice of the following motion:

That this Committee proceed with an examination of the procedure of auditing the accounts of the Canadian National Railways with accountants other than the Auditor General.

All notices of motion were referred to the Subcommittee on Agenda and Procedure.

At 11.55 o'clock a.m., the Committee adjourned to the call of the Chair.

A. L. BURGESS,

Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, March 31, 1949.

The Standing Committee on Public Accounts met this day at 11.00 o'clock a.m., the Chairman, Mr. L.-Philippe Picard, presiding.

Members present: Messrs. Beaudry, Benidickson, Bradette, Burton, Case, Cleaver, Croll, Cruickshank, Dechene, Denis, Fleming, Fournier (*Maisonneuve-Rosemont*), Fraser, Gauthier (*Portneuf*), Golding, Isnor, Jackman, Jutras, Langlois, Marshall, Murphy, Mutch, Nicholson, Picard, Pinard, Probe, Raymond (*Wright*), Richard (*Gloucester*), Richard (*Ottawa East*), Sinclair, Stuart (*Charlotte*), Warren, Winkler, Young.

In attendance: Mr. Watson Sellar, Auditor General.

The Chairman presented the first report of the subcommittee on Agenda and Procedure which read as follows:

The subcommittee on Agenda and Procedure met on Tuesday, March 29th and has agreed to recommend:

1. That the next meeting of the Committee be held at 11.00 o'clock a.m., on Thursday, March 31st, and that the Auditor General, Mr. Watson Sellar, be requested to prepare and present at that meeting a statement in respect of certain matters which he considers important. It is also recommended that the business of the meeting be confined to the presentation of this statement and questioning of Mr. Sellar on it.

2. That the next meeting of the subcommittee to consider agenda be held as soon as practicable after Mr. Sellar has been heard.

3. That each member of the Committee be furnished with a copy of any brief or statement prepared for the Committee's information.

4. That Mr. Nicholson's notice of motion, viz.:

That this Committee proceed with an examination of the procedure of auditing the accounts of the Canadian National Railways with accountants other than the Auditor General.

be ruled out of order on the ground that it deals with a matter which is beyond the scope of the Committee's Order of Reference. It is suggested that such a motion might properly be made in the Sessional Committee on Railways and Shipping, owned and operated by Government.

In respect to paragraph 4 of the subcommittee's report, the Chairman suggested that the question of the admissibility of Mr. Nicholson's motion be allowed to stand.

The report of the subcommittee, as amended by the Chairman's suggestion, was concurred in.

Mr. Sellar was called, heard and questioned.

At 1.00 o'clock p.m., the Committee adjourned to the call of the Chair.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

March 29, 1949.

The Standing Committee on Public Accounts met this day at 11.00 a.m.
The Chairman, Mr. L. P. Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum.

As I open the first meeting of the Public Accounts Committee for the 1949 session I wish to thank you for the confidence you have shown in me by electing me as chairman of the committee. I will do my very best to discharge my duties, if possible, to the satisfaction of all.

We have been together on two other occasions during the sittings of this committee, once in the fall of 1945 and again in 1947. I think I can say that I have had the co-operation of all members and that has contributed to the successful work of the committee. I expect that there will be again the same co-operation from everyone.

I do not wish to make a speech on this matter because I think everyone understands the situation and we wish to proceed as quickly as we can. The Public Accounts Committee has sat only four or so times in the past twenty years and the sittings have occurred at about this same period in the session so we can conclude that we are not late in getting the members together for our work.

Before we start I think it would be appropriate to say that the rules of procedure in committees and standing committees are the same as the rules for the committee of the whole.

Item No. 605 on page 81 of Beauchesne's parliamentary rules and forms, second edition, reads "Generally speaking, the proceedings of a select (special) committee are assimilated, like those of a standing committee, to those of a committee of the whole House".

Standing order No. 58 reads "The standing orders of the House shall be observed in the committees of the whole House so far as may be applicable, except the standing orders as to the seconding of motions and limiting the number of times of speaking".

Standing order No. 47 states "All motions shall be in writing and seconded, before being debated or put from the Chair".

The word "seconded" does not apply in this committee but a motion should be in writing and put by the chair before being debated. So that we may have more order in the debates I think we should abide by that rule and although motions put to the committee need not be seconded they should be in writing, be read by the chair, and then be given consideration by the committee.

Another matter of importance before us is the appointment of a steering committee. I do not know whether you share my views but I do not like the expression "steering committee" and I feel that title indicates a body which runs the affairs of the committee. To me it seems that a more appropriate name would be the one which is sometimes used "committee on agenda and procedure". As far as I am concerned I prefer that title and it sounds more democratic.

It is usual too at the first meeting to have a proposal concerning the members of that subcommittee—usually seven in number—named by the chairman after consultation with all parties.

In the past the chairman has consulted in advance with the parties and he receives suggestions as to the names of the members who shall constitute the committee on agenda and procedure. I did that last night but before we proceed with the names of the members I think we should settle the appointment of a vice chairman. After the appointment of the vice chairman, someone might propose the names of the following gentlemen as members of the committee on procedure and agenda: Mr. Croll, Mr. Mutch, Mr. Fleming, Mr. Burton, Mr. Marshall.

Mr. WARREN: I would nominate Mr. Isnor as vice chairman.

Mr. RICHARD (*Gloucester*): I second the nomination.

Mr. ISNOR: I wish to thank the honourable gentlemen for nominating me but I do not think I had better accept the office.

The CHAIRMAN: That is a customary gesture—of course I did not do it when I was proposed as chairman—but it is a very noble idea to refuse the nomination. However I must put the motion.

Mr. ISNOR: It is always nice to carry on business in an orderly manner and in a way which will bring about the best results. Unfortunately I very definitely feel that I cannot carry out the duties of vice chairman and for that reason I would ask the gentlemen be good enough to select someone else.

Mr. CLEAVER: In view of what Mr. Isnor has said I would suggest the appointment of the vice chairman stand over until the next meeting. I do not feel that even though the committee wishes him to act as vice chairman we should impose upon him.

The CHAIRMAN: Of course, as we have the committee on agenda and procedure already under consideration, we might as well have it complete because the committee will be responsible for setting the order of precedence of the work which we are to do and I think it is in order to have another proposal for the position of vice chairman.

Mr. FLEMING: I would nominate Mr. Pinard.

Mr. COCKERAM: I would second that motion.

The CHAIRMAN: Moved by Mr. Fleming, seconded by Mr. Cockeram that Mr. Pinard be selected as vice chairman of the committee on agenda and procedure?

Carried.

Mr. BRADETTE: Do you wish to have a motion now regarding the appointment of the committee on agenda and procedure?

The CHAIRMAN: A motion would be proper.

Mr. BRADETTE: I would move that the gentlemen whom you mentioned a few moments ago comprise the committee on agenda and procedure.

Mr. CASE: I would second that motion.

Carried.

The CHAIRMAN: There is also a motion required asking leave to print the minutes of our proceedings and evidence from day to day, six hundred copies in English and two hundred copies in French.

Mr. CROLL: I would so move.

Mr. COCKERAM: I second.

Carried.

The CHAIRMAN: It is also customary to have the chairman read the order of reference in order that the committee shall know what it is called upon to do. The date of the Order of Reference is March 14, 1949.

"Ordered,—That the Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records."

The next Order of Reference is dated March 23, 1949.

"Ordered the Public Accounts of Canada for the fiscal year ending March 31, 1948, and the report of the Auditor General be referred to the Public Accounts Committee.

(Sgd.) A. BEAUCHESNE,
Clerk of the House."

As it stands at the moment we have the Auditor General's report and the public accounts for last year.

The matter of public accounts now before us is quite a vast order and I think it proper to decide now that any motion concerning the order of precedence of the work we are to carry on should be in writing and be referred automatically to the committee on agenda and procedure. That committee will study and report to the main committee on the order of procedure and upon what shall be done or shall not be done.

Mr. MACDONNELL: If I am in order, may I suggest the first thing that should be done is to call the Auditor General himself. It seems to me that there are certain very vital comments which he makes upon which there will be questions and therefore I would move that the Auditor General be asked to appear before the committee to give evidence with respect to certain comments made in his report. I would move that be the first order of business.

The CHAIRMAN: The discussion is open. Are there any other remarks?

I might say that I have already contacted the Auditor General indicating that he might be called before us. This morning he is tied up with the Ottawa Improvement Commission, but he could be at our disposal at any time on Thursday.

Mr. BURTON: I would like to say a word in connection with this matter. I am heartily in accord with Mr. Macdonnell's motion, with the exception of his remarks about the first order of business. If we are to have a committee on agenda and procedure the committee will naturally have to have some say with respect to the order of business. As far as I am concerned I have no objection to the Auditor General's evidence being the first order of business and that should be a recommendation to the subcommittee. Furthermore I have in mind, Mr. Chairman, that as this is our first meeting we should endeavour to obtain from the members as much information as possible about the different subjects upon which they would like discussion, so that the committee on agenda and procedure can arrange the program, and so that the other members of the committee can prepare themselves for taking part in whatever investigations and discussions may occur. While I support the greater part of Mr. Macdonnell's motion I do think that the committee on agenda and procedure should decide what the procedure shall be.

Mr. PROBE: Mr. Chairman, I have a specific matter which I wish to bring before the committee for examination. I support the idea that the Auditor General should be available to us, perhaps throughout the duration of the sittings of the Public Accounts Committee to deal with any specific matters which we desire to refer to him directly, but if I am in order before the vote is taken on Mr. Macdonnell's motion, I would like to move consideration of a matter.

The CHAIRMAN: The suggestion which I made previously is not in the form of a motion but you will recall that it was to the effect that all matters concerning procedure and subjects for discussion should be referred immediately

and automatically to the committee on agenda and procedure. In view of the wording of the motion regarding the appointment of the subcommittee we might handle the situation this way. The subcommittee, consisting of the members mentioned before, shall be appointed to report on all matters relating to procedure and agenda. There should also be added a suggestion that all matters concerning order of precedence be automatically referred to the committee on agenda and procedure. This morning we have a proposal made by Mr. Macdonnell and by Mr. Probe, and perhaps other gentlemen have proposals for matters to be considered by the committee and those proposals would be automatically referred to the committee on agenda and procedure. When the committee meets it will decide upon certain steps and report back to the main committee. Mr. Sellar, for instance, is at our disposal at all times but on some occasions he has to be out of the country as he is one of the three auditors for United Nations. Mr. Sellar himself remarked that in connection with many public accounts matters Mr. Clark, the Deputy Minister of Finance and others might be more able to give us the desired information. The committee on agenda will of course try to arrange the days upon which Mr. Sellar shall be called in order to meet with the necessities of his United Nations work.

Mr. FLEMING: I have just one observation. I do not like your word "automatically." I think when we get our work launched it will be found desirable and necessary in practically every case that suggestions relating to agenda and procedure go to the agenda committee. I am quite sure that when the subcommittee meets it will plan its work in advance so that there will always be work for the committee to do. I do not think we ought to insert the word "automatically" because I think the good sense of the subcommittee will take care of any situations of an emergent nature. It might be found, for instance, that in some cases a witness is available on short notice but might not be available later. Accommodation would be extended to the witness in a situation of that kind. If you omit the word "automatically" I think the motion will take care of all situations of that kind.

I have just one other matter to discuss. As I understand Mr. Macdonnell's motion it is to help the committee get started at once. One would hope with the considerable amount of work this committee will have to do this session as one looks at some of the subjects, we might get started this week. Thursday would seem to be the logical day and if the committee would indicate its willingness to sit Thursday at an agreed hour, perhaps 11 o'clock, and if the committee would indicate something of the work on which it wishes to get started, then the committee on agenda and procedure can arrange that course without delay.

I think that Mr. Sellar is the logical man to begin with. The report which he will give will be a logical jumping-off place for the work of the committee throughout the session because it will be an introduction to other subjects.

Therefore, it would seem to me, notwithstanding the suggestion made by Mr. Macdonnell about our first referring matters to a subcommittee, that Mr. Sellar is the logical man to begin with. We might decide at this time to meet on Thursday and to call Mr. Sellar at that time.

The CHAIRMAN: Gentlemen, speaking personally, as chairman of this committee, I think we ought to have a rule to follow. Otherwise, every time somebody proposes a new subject we would have to discuss it and iron it out in this committee. The word "automatic" may not be the correct word to use, although I thought that it fitted the case. So let us say "immediately."

I think that any proposal as to the work of this main committee should first be referred to the committee on agenda and procedure because, properly, the purpose of a committee on agenda and procedure is to iron matters out, discuss proposals, and make decisions.

The committee might decide to hear Mr. Sellar on such and such a day only to learn that Mr. Sellar would be in New York on that day. So I think the task of arranging appointments is one for the committee on agenda and procedure. Therefore I shall reword the proposal as follows:

That a subcommittee consisting of the chairman, the vice chairman and Messrs. Burton, Croll, Fleming, Marshall and Mutch be appointed to consider and report on all matters relating to procedure and agenda, and that any proposals concerning order of procedure in the committee shall be immediately referred to the committee on agenda and procedure.

The motion I have just read is moved by Mr. Maybank. So the question now before the committee is this proposal: that we appoint a subcommittee on agenda and procedure to consider and report on matters relating to procedure and agenda, and that immediately there is any proposal as to order of procedure it shall be referred to the committee on agenda and procedure.

Mr. MAYBANK: Mr. Chairman, I suggest that we change the word "immediately" to "whenever".

The CHAIRMAN: Whenever.

Mr. CASE: Mr. Chairman, in your earlier remarks you referred to the steering committee as being in the nature of an automatic body which would run the whole show. I think, in view of the fact that Mr. Sellar is the key man in relation to the Auditor General's report, surely this committee is the body to make the decisions on such a subject and that the other motion, the one relating to procedure, might be referred to the committee which you have designated.

The CHAIRMAN: I am in favour of our hearing Mr. Sellar but I think we should establish a rule now which would hold with respect to the whole committee in order to ensure a systematic arrangement.

The committee on agenda and procedure might sit tomorrow morning, or it might sit this afternoon. Then we might have a meeting of this main committee on Thursday with Mr. Sellar.

Let me stress the necessity of our having a definite rule so that the committee on agenda and procedure may iron out any questions which might arise as to subject-matter.

All those in favour of this motion will please so indicate.

A MEMBER: What is the motion?

The CHAIRMAN: The motion is that a subcommittee consisting of the chairman, the vice chairman and other gentlemen to be selected by the different parties, be appointed to consider and report on all matters relating to procedure and agenda, and that whenever a proposal is made concerning order of procedure in the committee, it shall be referred to the committee on agenda and procedure.

All those in favour? I think it is unanimous. The motion is carried unanimously.

Carried.

Now, we have the first motion as to the order of precedence. The first motion to be referred to the committee on agenda and procedure is the motion by Mr. Macdonnell. I think there is unanimous consent that Mr. Sellar be heard as the first witness, and I shall report to the committee accordingly.

Mr. ISNOR: In connection with the first witness, Mr. Sellar, might I ask if he will just make a statement along the lines covered in the Auditor General's report, or will he deal with specific cases?

The CHAIRMAN: I have already spoken to Mr. Sellar to ascertain whether or not he would be available, and he said that he had in mind, as has been done in past years, to open with a summary of his views on certain points. So I think it would be advisable if we let him come and make his statement first. Then we could ask him questions. And also, if we did not finish with him the first day, we might ascertain when he would next be available.

Mr. ISNOR: I had in mind particularly a reference to the net debt which is cited on page 26 and I thought of making extended remarks as to the saving.

The CHAIRMAN: Which item is that?

Mr. ISNOR: It is item 100 entitled Net Debt; and item 101 reads:

The recorded over-all increase in net debt during the fiscal year was \$676,119,655.96.

I was going to suggest that Mr. Sellar be requested to comment not only on the savings, or the decrease of that amount, but the savings affected for that year and also to cover the period from 1946 through to the present time. I had this in mind because of the differences of opinion in regard to whether or not it is wise procedure, or whether or not right policy is being followed in reducing our net debt and pleading a saving. And I thought by doing this we might get a clearer picture before us.

The CHAIRMAN: Mr. Isnor, would you kindly put your motion in writing so that it can go before the agenda committee.

Mr. ISNOR: I should be very pleased to do so.

The CHAIRMAN: Mr. Isnor moved: That the Auditor General be requested to prepare and present a statement in respect to paragraph 100 (page 26) dealing with the decrease of the net debt for the fiscal year, the saving brought about for this particular period, and, as well, for the period 1946-47 to present report 1947-48. This motion will be referred to the agenda committee.

Mr. PROBE: I would like now to move that this committee proceed with an examination of Indian trust funds, and that the officers of the Department of Indian Affairs be asked to prepare such material as the committee might require in order to facilitate such an examination.

The CHAIRMAN: Mr. Probe moved: that this committee proceed with the examination of administration of Indian trust funds and that officers of Indian Affairs Branch be asked to prepare such material as the committee may require to facilitate such examination.

This motion will be referred to the committee on agenda and procedure. Are there any other suggestions relating to the work of the committee?

Mr. Mutch: It would seem that you have enough material before you now to keep you going for a couple of months, so I move that we adjourn.

Mr. YOUNG: I move that this committee proceed with the examination of the contracts and accounts for coal used in the heating of public buildings owned or rented by the federal government.

The CHAIRMAN: Moved by Mr. Young: That this committee proceed with the examination of the contracts and accounts for coal used in the heating of public buildings in Ottawa owned or rented by the federal government.

This motion will be referred to the committee on agenda and procedure.

Mr. ISNOR: Before the motion is put, I would like to say to Mr. Young that I am anxious to learn something about the coal situation as it applies to the coal industry. I trust Mr. Young will agree to reword his motion so as to take in the subject of coal supplied to public buildings in the provinces of Quebec and Ontario.

I feel that we are importing altogether too much coal from the United States with respect to those two particular provinces, and I feel that Nova Scotia coal should be used to a greater extent, particularly in Quebec. I also

think that we should extend our border line in order to use a greater amount of Nova Scotia coal in Ontario. Similar remarks might well apply to coal from Alberta. I wonder if Mr. Young would be good enough to embody that thought in his motion.

The CHAIRMAN: Mr. Young, would you agree to have the clerk of the committee embody Mr. Isnor's suggestion in your motion?

Mr. YOUNG: I would be quite happy, Mr. Chairman.

Mr. MAXBANK: Might I suggest that if you would just place a period after the word "buildings" it might be sufficient.

The CHAIRMAN: In view of Mr. Maybank's suggestion we might shorten the motion to read:

Moved that this committee proceed with the examination of the contracts and accounts for coal used in the heating of public buildings owned or rented by the federal government.

This motion will be referred to the agenda committee.

Are there any other suggestions, gentlemen, as to the work we might perform in this committee?"

Mr. NICHOLSON: Mr. Chairman, two years ago the member from Vancouver North initiated discussion in the House in connection with the audit of the Canadian National Railways accounts. He proposed that the audit should be performed by accountants other than the Auditor General. Therefore I move: That this committee proceed with an examination of the procedure of auditing the accounts of the Canadian National Railways with accountants other than the Auditor General.

The CHAIRMAN: Mr. Nicholson moved: That this committee proceed with an examination of the procedure of auditing the accounts of the Canadian National Railways with accountants other than the Auditor General.

Before discussion takes place, might I suggest that Mr. Nicholson's motion is out of order because there is a committee of the House especially appointed to look into matters of railway and shipping. The committee I have mentioned is sitting at this very moment and I suggest that Mr. Nicholson's motion is a proper one to be considered by that committee. I repeat my view that Mr. Nicholson's motion is out of order and that this matter should be referred to the committee on Railways and Shipping.

Mr. NICHOLSON: Mr. Chairman, before you make your ruling final, might I say that it was the member for Vancouver North who raised the question. I quite understand that legislation now makes it mandatory for parliament to refer this matter to the committee. And I also understand that The Railway Act requires that there be outside auditors.

The Auditor General in his report at page 4, paragraph 8, makes reference to this matter, and I think it would be a proper question for this committee to discuss with the Auditor General. The member for Vancouver North argued the matter very well before the House two years ago. I think this committee would be a very appropriate place to discuss whether it would be a saving to the treasury of Canada if its audit could be performed by accountants other than the Auditor General. Mr. Sinclair pointed out the fact that because an outside auditor made a suggestion regarding capitalization, he thereby lost the contract for a certain period of time.

The CHAIRMAN: Are the auditors not appointed by an Act of the federal parliament?

Mr. NICHOLSON: That is right, Mr. Chairman.

The CHAIRMAN: Then, how would you suggest that they be appointed?

Mr. BURTON: Mr. Chairman, while the Act has been passed and while steps have been taken, nevertheless I would contend, with all respect, that we, as a public accounts committee, have a perfect right to examine into the expenditure of public money. Consequently I do believe that Mr. Nicholson's motion should be referred to the steering committee, and, if possible, arranged for on the agenda so that the members of this committee who wish to enquire into the expenditure of public money may have an opportunity to get the information they desire. Nothing may come of it, but, in spite of the fact of the other committee sitting and dealing with the operations of the railways and shipping owned and operated by the dominion government, I submit that we are the committee whose function it is to enquire into the question of moneys being spent.

Mr. JACKMAN: If we should follow Mr. Burton's suggestion, then this committee would have the power to inquire into any department whatsoever. Such a procedure would certainly upset the whole scheme of our arrangements. So I would suggest to Mr. Nicholson that if he wants to have an examination with respect to the procedure followed by the firm of auditors which audits the Canadian National Railways accounts, he first follow the suggestion of the chairman that the committee hear Mr. Sellar; in other words, that Mr. Sellar first be called to testify before the Railway and Shipping Committee.

The CHAIRMAN: Are there any other comments?

Mr. FRASER: Mr. Chairman, personally I feel that what we are about to do is to put the cart before the horse. I believe that we should first hear Mr. Sellar. Then, after we have heard his statement, we will be in a better position to know what is what because we will have received his ideas. We do not want to find ourselves in a position where we cannot study things which ought to be studied because our agenda is already clogged up.

The CHAIRMAN: All these suggestions from the members of the committee will be referred to the committee on agenda and procedure which will, in turn, report to the main committee. We are just starting out today and I do not think we should close the door this morning. Personally I have no objection to our hearing from Mr. Sellar first of all.

Mr. FRASER: That is what I mean, Mr. Chairman. I submit that Mr. Nicholson's motion should not take precedence over our first hearing from Mr. Sellar.

The CHAIRMAN: We shall look into that question in the subcommittee.

Mr. MAYBANK: Mr. Chairman, I think though that what Mr. Fraser has said is substantially correct. We have got a good two or three days' work lined up now with Mr. Sellar, and it seems to me that quite a number of things might come up as a result of his being before us; people may have a number of ideas as to what they would like to bring forward. If we start laying out too many things now, inevitably some would be thought deserving of precedence over others. I do not want to move, gentlemen, but I should think the agenda committee should consider the suggestions already made here this morning and proceed on the lines suggested, opening on Thursday with Mr. Sellar. He will be here for more than one day, and at the conclusion of his evidence no doubt there will be many matters before the committee. We might even get enough work lined up to last us till Christmas, if people are really interested in following matters which may arise to their conclusion.

Mr. FLEMING: I would like to support fully the remarks made by Mr. Maybank, because there is a very great danger at the present time that we might tie our hands too much if these motions which are now being put on the record are regarded as anything more than suggestions.

The CHAIRMAN: That is what they are.

Mr. FLEMING: There is so much in Mr. Sellar's report that is bound to call for questions. I mean, he has made certain comments of a general nature in his report, and then he goes on to deal with a great many particular matters. When he comes before us as a witness we will be asking for information on specific matters. I quite appreciate the point raised by Mr. Maybank; obviously, we need to do whatever we can to get ahead with this work, to deal with specific matters as they arise and not get turned off on to some other subject.

The CHAIRMAN: Mr. Fleming, may I make the suggestion that if we are going to get anywhere we must have order in the committee. The Auditor General in the public accounts has covered a vast volume of material, and I think if we are going to have orderly procedure in the committee we should first, as has been suggested, call Mr. Sellar to make a general statement on which he can be questioned; and then any further matters which concern Mr. Sellar may be brought in in such order as the agenda committee may decide as in the best interests of the committee. I am sure the committee do not want to lay themselves open for a general discussion of any item which may be brought before it. If we do that we may get off on this, that or the other subject. I think I have the support of the committee in suggesting that we must look to our agenda committee for direction in procedure. My thought this morning was that motions of the kind I have been receiving would be in order for reference to the agenda committee. Mr. Sellar can come before us as our first witness and give us a general survey of his work; and I presume, in the usual way, he will have a general memorandum to submit to the committee dealing with questions which he considers of particular importance and interest. After that, any other matters to be considered by the main committee will be taken up in the order recommended by the committee on agenda and procedure. I now propose to deal with Mr. Nicholson's motion.

Mr. MACDONNELL: I was just going to say you have cleared this up. You have pointed out that what we have before us this morning are suggestions as to matters to be considered. Then, too, you have made it clear that we are going to have Mr. Sellar before the committee. It seems to me that we are all in agreement on that point.

Mr. GREEN: Mr. Chairman, is there any serious objection to this committee taking up Mr. Sellar's report to the House section by section?

The CHAIRMAN: I thought that first we would follow the procedure established in other committees of this kind; that it would be a benefit to the committee for Mr. Sellar to appear before us and deal with what he thinks is important and go on from subject to subject. And in doing that I think we would be within our powers to deal with Mr. Nicholson's motion as it relates to item 8 on page 4, a matter which would ordinarily come under the review of this committee. At the same time, we have so much work otherwise relating to public accounts that it is suggested that Mr. Nicholson might get quicker results if he were to bring his motion to the attention of the committee on Railways and Shipping which is sitting at the moment. I would also point out that his motion would involve an amendment to the Railway Act, because the audit procedure followed at the moment comes under the Railway Act. That is why I submit the committee on Railways and Shipping would be the proper medium before which he should bring that motion. I also make that suggestion because of the very great volume of other work which this committee now faces. While reference to the matter does not appear in the report of the Auditor General, in the public accounts, and therefore it can come before us, there is this other committee which will be sitting much less than we are.

Mr. NICHOLSON: I will be very glad to abide by the ruling of the agenda committee. I am sure that I would be out of order in suggesting that the audit matter be discussed in the committee on Railways and Shipping.

The CHAIRMAN: Then the motion will be referred to the agenda committee.

Mr. CASE: And let them finalize it.

Mr. GREEN: Would it be possible for us to see the railway committee room?

The CHAIRMAN: We will surely try to get a larger room so that each member will be able to have a place at the table.

Mr. FRASER: Then I take it, Mr. Chairman, that the agenda committee will not decide on any procedure until after Mr. Sellar has been before the committee?

The CHAIRMAN: No, that is the proposal already agreed to. All I can say at the moment, gentlemen, is that it will most probably be that; but if we are to have order we have to abide by what we have decided to refer to our committee on agenda.

Gentlemen, if it is agreeable to you, the committee on agenda and procedure will meet shortly. I will send notices to the members and probably we will commence our meetings on Thursday morning, but I want to consult with Mr. Sellar before fixing a date. So, if you agree, the committee stands adjourned to the call of the Chair.

The committee adjourned sine die.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
March 31, 1949.

The Standing Committee on Public Accounts met this day at 11.00 a.m.
The Chairman, Mr. L. P. Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum.

I wish to report first on the work of the committee on agenda.

The subcommittee on agenda and procedure met on Tuesday, March 29th, and has agreed to recommend:

1. That the next meeting of the committee be held at 11.00 o'clock a.m., on Thursday, March 31st, and that the Auditor General, Mr. Watson Sellar, be requested to prepare and present at that meeting a statement in respect of certain matters which he considers important. It is also recommended that the business of the meeting be confined to the presentation of this statement and questioning of Mr. Sellar on it.
2. That the next meeting of the subcommittee to consider agenda be held as soon as practicable after Mr. Sellar has been heard.
3. That each member of the committee be furnished with a copy of any brief or statement prepared for the committee's information.

Now, we discussed at the same meeting of the committee on agenda the question of Mr. Nicholson's motion:

That this committee proceed with an examination of the procedure of auditing the accounts of the Canadian National Railways with accountants other than the Auditor General.

We came to the conclusion that this should be ruled out of order on the ground that it deals with a matter which is beyond the scope of the committee's order of reference. It is suggested that such a motion might properly be made in the Sessional Committee on Railways and Shipping, owned and operated by the government.

I met Mr. Nicholson personally and suggested that as he was a member of the other committee that he might bring the matter to their attention. This he declined to do considering that this committee was the place where it should be brought up. I have reserved final decision on the matter and will consult further with the authorities in the persons of the law officers of the Crown, and the Clerk of the House if necessary. But at the present time I might say this with reference to his motion, that it appears to be outside our jurisdiction for two reasons particularly; first of all, there is the Committee on Railways and Shipping owned and operated by the government sitting at the moment and while that committee is sitting, members of the House are not allowed to raise any matter pertaining to that committee as long as it is sitting, or until in fact its report has been brought down in the House. We as a committee are a creature of the House and we are in the same position as members when it comes to dealing with a matter of this kind.

Mr. PROBE: Might I digress there for a minute; is that true only so long as that committee is discussing the matter in question?

The CHAIRMAN: So long as it continues in operation. On that point I would refer you to Beauchesne, volume 2, paragraph 602 on page 181 where it says:

Committees are regarded as portions of the House and are limited in their enquiries by the extent of the authority given to them, but governed for the most part in their proceedings by the same rules which prevail in the House. B.464.

Then paragraph 665, page 195 reads:

Until the report and evidence have been laid upon the table, it is irregular to refer to them in debate, or to put questions in reference to the proceedings of the committee. M.440.

After that committee has made its report I do not see why it should not be brought up here providing it comes within our terms of reference. But the second reason why we think it is out of order is because Mr. Nicholson has relied on item 8 of Mr. Sellar's report to show that it is within our authority. Now, the comment of the Auditor General contained in item 8 of his report refers to certain advances made from the consolidated revenue fund by the Minister of Finance to the Canadian National Railways. The Auditor General suggests that the provisions of the Canadian National Railways Financing and Guarantee Act 1948, under which these advances were purported to have been made, are not retroactive and that, therefore, a portion of the advances authorized by Order in Council P.C. 805 of February 26, 1948, are irregular.

It is submitted that the Auditor General's remarks are a comment on funds disbursed by the Department of Finance and have no bearing on the method of audit of the accounts of the Canadian National Railways; and that, on this ground also the motion should be ruled out of order.

So, as I said, we will let the matter stand in abeyance for the present and in the meantime I will consult the law officers of the Crown and, if necessary, the Clerk of the House; but at the moment I do not think it comes within our terms of reference.

Mr. BURTON: Then we can leave the matter in abeyance for the present.

The CHAIRMAN: Yes, and I will bring a further report to the committee at a later stage.

Now, gentlemen, we have Mr. Sellar with us this morning and I suggest that we permit him to carry on in the customary way, to present his brief without interruption; then we will go back over it item by item for a full and complete discussion.

Watson Sellar, Auditor General, Called:

Mr. SELLAR: Mr. Chairman and gentlemen, the instructions I got were to bring with me a memorandum on such items as I consider to be important, and that allowed me some discretion in the selection of material. What I regard as being important are those transactions which might be regarded as the accounting control of the House of Commons over public funds; therefore, what I am submitting to you this morning pertains to that phase of the audit which was the big phase of the last year. I have prepared a memorandum and if you will permit me to I will just read it to you.

Mr. SELLAR:

1. The accounts of the government of Canada are competently maintained. Paragraph 2 of the audit report draws attention to the volume and diversity of transactions and throughout the report notice is directed to various administrative practices and procedures. The reason is that I am of the opinion that a gap would be filled were some rulings or directions given by the Public Accounts Committee to the end that the influence of parliament goes beyond the grant of money or the right to levy taxes. Paragraphs 7, 9, 11, 15, 27, 70, 74 and 78 touch on questions of administration which also have elements of interest to the legislative side. In this submission I propose adding explanations to the texts of paragraphs 3, 4, 30-35, 91 and 94, because the interest is

less with respect to present or past policy than with future application. The listing of paragraphs is not exhaustive; moreover, in some instances like problems are present in more than one paragraph. An illustration is the point in paragraphs 62 and 91. In both, the question really is whether a strict legal interpretation should be applied to problems which are really of accounting and financial nature. Many years ago the British Public Accounts Committee relieved the law officers of full responsibility for application where the point of law was, in fact, incidental to questions relating to accounting and financial practices. In such circumstances, the committee made the lords of the treasury primarily answerable to parliament. In Canada, we still burden the Deputy Minister of Justice with all such problems.

2. Utilization of Votes: In paragraphs 30-35 it is noted that while annual appropriations for 1947-48 approximated \$1,350 millions, about \$245 millions lapsed unused. Many lapsings stem from decisions to postpone works because of scarcity of labour and materials. However, the submission of supplementaries on March 19—less than a fortnight before the year ended—permits tests to be made of the accuracy of departmental estimating of requirements. The supplementaries included 83 items having the words “further amount required.” These amounted to about \$30,700,000. Of this amount, \$10,670,000 was not used. In fact, 23 votes, involving \$7,400,000, were not used at all; in 56 votes, totalling about \$17,000,000, there were lapsings of \$3,270,000, and in only four, totalling over \$6,300,000, was the full amount spent.

A characteristic of the Canadian system of presenting estimates is to divide services into a multiplicity of items. If the various subheads for public works' projects and for steamship subventions are rated as the equivalent of items, the House considered over 1,300 in 1947-48. What this means may be illustrated by glancing at the votes for the Department of Transport, which is a big department with varied, yet interlocking, activities. In 1947-48 that department had 72 votes and 7 statutory primary accounts. In 8 instances there was no departmental administrative responsibility—the C.N.R. deficit is an example. Eliminating these, 71 accounts record application given to grants which approximated \$51,400,000. The expenditures were about \$43,800,000, with 58 accounts reflecting 20 per cent of the outlays. In other words, 80 per cent of the expenditures were conveniently controlled by 13 votes, while the remainder required 58 votes.

Three years ago the United Kingdom Public Accounts Committee reported that:

The comptroller and auditor General stated that the detailed form of the statements of new works appearing in the pre-war estimates and appropriation accounts was designed many years ago when it was thought desirable to secure parliamentary control over capital expenditure in great detail. He thought that the effect had been under modern conditions that the estimates and accounts became loaded with voluminous particulars of works of no especial magnitude or importance and rather bewildering to parliament.

Your committee are in agreement with the view expressed by the comptroller and Auditor General in evidence that a reversion to the very detailed form of the pre-war statements of works services is to be deprecated and that some new standard should be adopted. They think that the adoption of a higher limit than before the war for the display of individual works should secure greater prominence for the most important works undertaken and give parliament all that is necessary for controlling capital expenditure. As regards the appropriation accounts they feel that some further simplification might be considered with a view to including details of the important works only in cases where there was an appreciable variation from the estimates.

That committee has since approved of various consolidations. Appendix "A" reproduces paragraphs of the committee's reports on the subject in the last three years.

I feel that, pending a complete overhauling of the system, it might be suggested that (a) various vote items be consolidated, and (b) the actual expenditures in the last completed year be placed opposite each item, rather than the previous year's estimate.

3. Financial supervision of the Governor in Council:

Parliament controls over-all expenditures by the text of votes. It seeks to preserve control, after appropriation, by stipulating in various statutes that payments be subject to the approval of the Governor in Council. As the grant is to the Crown, at first glance it seems inconsistent to consider the Governor in Council as a parliamentary check against abuses, but the true intent, I think, is aptly stated in a leading case of Australia:

The theory that the Crown chooses its ministers is over-shadowed by the constitutional rule that it chooses only such as possess the confidence of parliament; and the theory that ministers execute the royal will accommodates itself to the fact that the royal will is to do what parliament desires.

I sometimes wonder if the volume of routine now loaded on the Governor in Council is not blurring the aim of various statutory directions. For that reason, notice of the existing burden is taken in paragraph 4. To illustrate the situation, a tabulation is now offered of 266 financial orders in council issued between January 21 and February 1, 1949, and which were required by various statutes. That period is used because (a) it contains ten working days, and (b) parliament convened in the period, so a presumption is that the cabinet had also many problems of public policy to consider. The classification is:

- 49 authorized works contracts involving \$5,000 or over;
- 41 Granted superannuation or pensions to civil servants, service forces members, etc.;
- 35 authorized purchases of supplies by Canadian Commercial Corporation for National Defence;
- 30 approved recommendations of the Civil Service Commission respecting departmental establishments;
- 21 approved recommendations of the Civil Service Commission respecting rates of pay to civil service classes;
- 18 approved enfranchising individual Indians and use of Indian band funds, etc.;
- 14 dealt with statutory regulating powers;
- 14 authorized leases or sales of Crown property;
- 12 made appointments to offices—judges, senators, etc.;
- 9 approved tax or duty remissions recommended by the Treasury Board;
- 6 approved proposed agreements with other governments;
- 6 dealt with the sale of treasury bills, etc.;
- 6 made appointments to positions exempted from the Civil Service Act;
- 2 approved cold storage subsidy agreements;
- 2 authorized establishing house-to-house mail deliveries in two towns;
- 1 dismissed a civil servant sentenced to gaol for theft.

At confederation a public work involving \$5,000 may have been one of some importance. Labour and materials' costs do not now permit much to be done for \$5,000, yet section 36 of the Public Works Act requires any contract of \$5,000 or over to be authorized by the Governor in Council. There was a principle involved when grant of superannuation or pension involved an immediate decision of policy; now civil servants, etc., contribute throughout their years of employment, and age limits, etc., are regulated by legislation. The grant of pension is, in fact, a routine act. Likewise it seems unreasonable

to require the cabinet to validate a decision of the Civil Service Commission to amend the establishment in branch x, of division y, of department z by substituting a position of one classification for that of another. The making of regulations, on the other hand, is certainly within the field of the Governor in Council, as are appointments to offices, the ratifying of terms of agreements with other governments, etc. It is not necessary to go over the whole list. It is proffered simply to suggest that in the revision of the statutes it may be in the interests of parliament to have existing directions to the Governor in Council reconsidered.

4. *Foreign Exchange Control Act:* The statute provides that "under the control and direction" of the Minister of Finance, a board shall operate and manage the Exchange Fund Account, which is, by the Act, a "special account in the name of the Minister of Finance." The board consists of the Governor of the Bank of Canada and five senior civil servants. The Bank of Canada serves the board without remuneration. Authorized dealers are, by section 17, remunerated for their services out of the exchange fund account. Any other costs of administering the Act are, by section 13, to be paid out of moneys provided by parliament. Section 5 declares that the then existing exchange fund account "is continued."

The fiscal year of the board is the calendar year. It commenced operations on January 1, 1947, with a net deficit in the exchange account of \$28,807,124.67, representing the net outstanding loss arising out of the return to par of the Canadian dollar in relation to the U.S. dollar. Replying on section 7(1) of the Act, which reads:

The minister may make advances to the exchange fund account out of unappropriated moneys in the consolidated revenue fund on such terms and conditions as the Governor in Council may prescribe.

the Governor in Council approved, in January, 1947, advances of \$1,275,000,000 at an interest rate of $\frac{5}{8}$ ths per centum per annum. On December 31, 1947, after payment of interest charges of \$5,100,000, the board had net earnings of over \$10,800,000. Before certifying the annual statement, I suggested to the chairman that he secure an opinion from the Deputy Minister of Justice whose reply sets out the points I raised. It reads:

At the suggestion of the Auditor General, you have referred to me for an expression of opinion two questions relating to the operation of the exchange fund account. The first of these is as follows:

(1) Is the interest charge for advances by the consolidated revenue fund to the exchange fund account a proper charge?

Section 7 of the Foreign Exchange Control Act authorizes the minister to make "advances" to the exchange fund account out of unappropriated monies "on such terms and conditions as the Governor in Council may prescribe." One of the terms and conditions prescribed is that amounts advanced in the exchange fund account "shall bear interest at the rate of $\frac{5}{8}$ ths per centum per annum". Mr. Sellar points out quite accurately that ordinarily a relationship of creditor and debtor is a condition precedent to the creation of an interests liability. It is quite true that the minister in his capacity as Receiver General cannot, strictly speaking, stand in the relationship of creditor towards himself in his capacity as minister having control and direction of the exchange fund account. Nevertheless, parliament has by section 7 authorized the minister to "make advances to the exchange fund account," thus establishing a statutory fiction that the relationship of debtor and creditor does exist. The employment of the word "advances" effects this result; otherwise, section 7 must be regarded as a nullity.

This being the situation, it appears to me quite proper and in order for the Governor in Council to prescribe such terms and conditions in relation to the "advances" as if genuine advances or loans were in contemplation and one of these terms or conditions would naturally be a provision for the payment of interest. I would answer the question, therefore, in the affirmative.

The second question submitted is:

(2) Has the account monies in hand which are required to be surrendered in accordance with the provisions of section 8 of the Act?

According to my information, the operations of the Foreign Exchange Control Board from the date when it commenced operations on January 1, 1947, to the end of the calendar year resulted in earnings or interest being realized which, after deducting amounts paid pursuant to section 17, amounted to \$10,817,631.27.

The question is whetheer, in view of section 8, this amount should be turned over to the consolidated revenue fund, notwithstanding that losses in excess of this amount were sustained by the fund prior to the commencement of operations just mentioned. The question in my opinion should be answered in the affirmative. Section 8 does not appear to me to be open to any other construction.

The Auditor General further asks whether the "interest" payments above-mentioned are to be out of moneys provided by parliament for costs of administration. I am of opinion that the charges in respect of "interest" are not "costs" since there is no actual disbursement and must be charged to or against the fund itself.

With all proper respect for opinions of the law officers, this seems to me, as an auditor, unnecessarily to 'strain at a gnat'. It is unnecessary to superimpose interest charges to make certain that all net earnings are annually surrendered, because section 8 of the Act directs an annual surrender to consolidated revenue fund of

the amount of the earnings or interest from gold, currencies, deposits, securities and other investments or dealings therein or therewith credited to the exchange fund account.

5. Receiver General Balances: The opinion (above quoted) of the Deputy Minister of Justice indicates that current earnings in the exchange fund account may not be applied to liquidate a \$28,807,124.67 deficit existing in the account on December 31, 1946. Thus, consolidated revenue fund is short that amount. As no action was taken last session to recoup consolidated revenue fund, the situation is noted in paragraph 91.

Paragraph 94 draws attention to certain trading transactions affecting the securities investment account, where a somewhat similar problem is present. From time to time the Receiver General has large bank balances. An order in council made in 1941 has as its purpose that of regulating temporary investments by him. It directs the Receiver General: (a) to trade only in securities of Canada; (b) to credit interest earnings to revenue, (c) to retain profits in the account, and (d) to charge any trading losses to war appropriation. An authority relied on to make the order is the Loan Act, 1940, of which the material part of section 2 is:

2. The Governor in Council may . . . raise by way of loan . . . seven hundred and fifty million dollars, for paying or redeeming the whole or any portion of loans or obligations of Canada, and also for purchasing from time to time unmatured securities of Canada to be withdrawn from circulation or resold, and for public works and general purposes.

In 1942-43 there was like legislation for \$750 millions and in 1944 for one billion dollars. No proceeds of any loan have been specifically set aside for operations of the securities investment account. With respect to operations in the 1948 financial year, the Deputy Minister of Finance states in his introduction to the public accounts:

. . . As shown in the above table the net reduction in the government's outstanding funded debt during the year was \$582 millions. In addition, however, an amount of \$410 millions in government of Canada bonds was purchased from the public and transferred to securities investment account. These latter securities may be held as temporary investments of surplus cash balances, or until the securities mature or are cancelled, but their purchase for purposes of this account has the same economic effect as the retirement of debt. (p. xiv)

The cost of securities held in the trading account on March 31, 1948, is recorded as \$686,820,000, with a par value of \$660,364,000. Since trading operations commenced under sanction of the Order in Council, over \$32,400,000 has been paid, by way of interest earnings, to revenue. As of March 31, 1948, a profit balance of over \$10 millions on completed transactions was recorded.

The direction of the Governor in Council "that any net profit shall remain to the credit of the investment account until the Minister of Finance otherwise directs," I feel, clashes with terms of the Consolidated Revenue and Audit Act, 1931, which includes this definition:

"public moneys", "public revenue", or "revenue" means and includes and applies to all revenue of the Dominion of Canada, and all branches thereof, including any fees required to be paid under any rule or standing order of the Senate or House of Commons, and moneys received through the sale or pledge of securities and moneys borrowed, and all moneys, whether arising from duties of customs, excise or other duties, or from taxes, or from post office, or from tolls for the use of any canal, railway or other public work, or from fines, penalties or forfeitures or from any rents or dues, or from any other source whatsoever, whether such moneys belong to Canada for or are collected by officers of Canada for or on account of special purposes or in trust for any person or for any province forming part of Canada, or for the government of Great Britain, or otherwise;

The \$10 million profits are real monetary gains and the phrase "from any other source whatsoever" is all-embracing. For such reasons I think the profits should be credited to revenue. If that view is the proper one, the situation is that unless securities, now held, of a par value of \$660 millions, are resold before maturity at prices which produce \$686 millions, there will be an unauthorized expenditure of \$26 millions, despite the large earnings by way of interest and resales.

In view of the large sums which the Receiver General has on hand from time to time, it is obviously desirable that he be in position to employ idle balances; but a practice of purchasing above face value introduces an element of risk, unless it be permissive to offset by using earnings and profits on other transactions. Appendix "B" outlines a securities' trading transaction (where a loss resulted) which was reviewed by the British Public Accounts Committee many years ago.

6. The National Capital Area: It is anticipated that large expenditures will be made, from time to time, in developing the national capital area. For that reason, paragraph 3 draws attention to the legislation now regulating the Federal District Commission. A question of public policy seems to be whether an effort should be made to recover a portion of the cost. For example, assume that the decision is to create a parkway along a river. Should adjacent property holders, whose lands materially increase in value as a result, pocket the capital

gain, or should the policy be to acquire more land than is needed for the project with the intent to resell after the work has enhanced values? If the project were an ordinary municipal one, financed on the credit of the municipality, no objection need be taken to owners profiting thereby, but when the scheme is national in perspective and financed by the country as a whole, it seems reasonable that as much of the cost be recovered as may be practicable. But such a policy would put the Federal District Commission into the real estate business and present the question of the means which might be employed to acquire property to be held for resale. In such decisions as *city of Sydney v. Campbell* [1925] A.C. 338 and *Boland v. C.N.R.* [1927] A.C. 198, the trend of thought does not appear to support use, by a statutory body, of the Expropriation Act, in its present form, whenever the real objective is to acquire land in order that it may be resold at enhanced values after improvements have been made in the area.

The joint resolution of 1948, which approved, in principle, developing a national capital area, stated:

That it is desirable that the work necessary to this end be under the supervision of the Federal District Commission, distinct from its ordinary operations.

and Vote 809 of the 1948-49 appropriations reads:

To authorize the establishment of a special account in the consolidated revenue fund, to be known as the national capital fund, consisting of such amounts as may be appropriated by parliament for the purpose out of which the Minister of Finance may from time to time, on the recommendation of the president of His Majesty's Privy Council for Canada, pay to the Federal District Commission amounts to be expended by the Federal District Commission with the approval of the Governor in Council for the construction, operation and maintenance of works or projects within the national capital district in keeping with an approved general plan for the improvement and development of the national capital and not in the nature of ordinary municipal improvements—amount required for the fund, to be effective July 1, 1948. The figure is \$2,500,000.

While there is no doubt as to the intent that the Federal District Commission act as an agent or servant, it may be that, in the event of litigation, the courts would ignore the text of the joint resolution and look only at the vote and the Federal District Commission Act. Neither of these clearly indicates a power to carry on major commercial enterprises for profit. It is for such reasons that I feel it would be prudent to control the financial application of national capital area projects by more precise legislation than is now on the statutes' books.

The CHAIRMAN: What about the appendices, gentlemen? Would it be in order to have them read at this time? You may go on, Mr. Sellar.

APPENDIX "A"

(Referred to under heading No. 2, page 2.)

The WITNESS:

Extract from the Fourth Report from the Committee of Public Accounts, 1945-46:

4. Before the war Estimates for Works Services recorded in detail new works costing over £2,000 (Civil Estimates) or £2,500 (Defence Estimates) and, in a bulk figure, those costing less than these amounts but over £500. New works costing £500 or under were included in Estimates under the Maintenance and Repairs heading. Expenditure on these Works Services was recorded in the Appropriation Accounts broadly in the same detail as in the Estimates. During the war no details of individual works items have appeared in the Estimates or Appropriation Accounts of the Defence or Supply Departments.

Following the decision not to ask Parliament for Votes of Credit in 1946-47 and to present ordinary Estimates for that year, the Treasury reviewed the form of estimates for works services. Considerable difficulties presented themselves in estimating and accounting under separate items for the smaller items of New Works, and in forecasting the details of individual items forming part of approved programmes. The Treasury consequently proposed that in both Civil and Defence Estimates for 1946-47, only works costing £10,000 or over should be recorded in detail, items costing less than £10,000 being shown in bulk as New Works if costing £1,000 or over, or included in the total for maintenance and Repairs if under £1,000. These proposals were referred to Your Committee in October, 1945, and they did not feel that their work would be hampered by the changes. When the Estimates for the Defence Services (and the Ministry of Supply) came to be prepared, further difficulties arose. It proved impossible in the time available to make a final selection, for inclusion in the 1946-47 Estimates, from the many works of rehabilitation necessary, or to prepare proper estimates of total cost, or to arrive at decisions on security aspects. The Estimates of the Defence Departments and the Ministry of Supply for 1946-47, as published, therefore, omit all details of individual new works, but a statement giving details will be presented to Parliament later. Your Committee and the Select Committee on Estimates, which was set up on 5th March, 1946, will be further consulted before this statement is presented.

5. The Comptroller and Auditor General stated that the detailed form of the Statements of New Works appearing in the pre-war Estimates and Appropriation Accounts was designed many years ago when it was thought desirable to secure Parliamentary control over capital expenditure in great detail. He thought that the effect had been under modern conditions that the Estimates and Accounts became loaded with voluminous particulars of works of no especial magnitude or importance and rather bewildering to Parliament.

Your Committee are in agreement with the view expressed by the Comptroller and Auditor General in evidence that a reversion to the very detailed form of the pre-war statements of works services is to be deprecated and that some new standard should be adopted. They think that the adoption of a higher limit than before the war for the display of individual works should secure greater prominence for the most important works undertaken and give Parliament all that is necessary for controlling capital expenditure. As regards the Appropriation Accounts they feel that some further simplification might be considered with a view to including details of the important works only in cases where there was an appreciable variation from the Estimates.

Extract from the Third Report from the Committee of Public Accounts, 1946-47:

10. The Public Accounts Committee of 1945-46 were consulted about the form of estimates for works services proposed by the Treasury as a result of the decision not to ask Parliament for Votes of Credit in 1946-47. In paragraph 5 of the Fourth Report they agreed that the reversion to the very detailed form of the pre-war statements of works services was to be deprecated. They thought that the adoption of a higher limit than before the war for the display of individual works would secure greater prominence for the important works undertaken and would give Parliament all that was necessary for controlling capital expenditure. The Treasury welcomed this suggestion.

11. The Treasury suggested to your Committee and to the Select Committee on Estimates that, for reasons of security and the difficulty of getting out normal estimates for works services, the services of the Defence Departments and the Ministry of Supply should no longer be set out in detail, but grouped under broad headings. These proposals were accepted for the years 1946-47 and 1947-48, continuance on this basis to be subject to further review. The Treasury, in making these proposals, had suggested that further information beyond that published could be made available in evidence and Your Committee accordingly asked them to consult with the Comptroller and Auditor General on the point. Your Committee understand that, as a result of this consultation, arrangements will be made to furnish the Public Accounts Committee next year with a list of the estimates for, and expenditure on, new works services of £100,000, or more, related to the 1946-47 Accounts. A similar course will be adopted, where appropriate and necessary, to supplement the published information on works services in other Civil Department Votes. Your Committee recommend that the proposed arrangements be accepted and reviewed by the Public Accounts Committee next year.

Extract from the Second Report from the Committee of Public Accounts, 1947-48:

1. The Appropriation Accounts for 1946-47 were the first to be presented since the ending of the wartime Votes of Credit. Like the Estimates, the Accounts were prepared as far as possible on the same lines as before the war, but they did not always include the same detailed information, mainly because of manpower difficulties and the uncertainties of the immediate post-war period.

2. The Public Accounts Committee of 1946-47 agreed, in paragraph 11 of their Third Report, to the abridgement of the New Works Statements in the Accounts for 1946-47 and 1947-48, on the understanding that the Departments concerned would furnish statements of the estimates for, and expenditure on, new works services of £100,000 or more. Your Committee were duly furnished with these statements. They found them sufficient for their purposes and recommend that these arrangements be continued in future years.

3. Further suggestions were made in evidence for simplifying the Accounts, e.g., by raising the minimum of individual losses requiring notation in the Accounts, the omission of statements of extra remuneration and of some appended accounts, etc. Your Committee recommend that the Treasury should review these suggestions in conjunction with the Comptroller and Auditor General and the Departments concerned.

Appendix "B" (Referred to under heading No. 5, page 6.)

The Public Buildings Expenses Act, 1898, provided that:

1. (1) The Treasury shall issue out of the Consolidated Fund or the growing produce thereof such sums, not exceeding in the whole two million five hundred and fifty thousand pounds, as may be required by the Com-

missioners of Works for defraying the costs of the purchases, buildings and works specified in the schedule to this Act, whether incurred before or after the passing of this Act.

(2) Any sum so issued may, so far as not immediately required, be invested in such manner as the Treasury direct, and any interest thereon shall be applied for the purposes of this Act.

The Fourth Report, 1903, from the Public Accounts Committee includes the following:

3. Your Committee think it right to call attention to the serious loss which has resulted from the investment by the National Debt Commissioners of the funds issued to them for temporary investment, under the Public Buildings Expenses Act, 1898 . . .

Your Committee would point out that Consols, being liable to fluctuations, are more suitable for permanent than temporary investment, and would invite the Treasury to consider whether in similar cases hereafter such investments should not be made in Treasury Bills or in some other securities in which the capital sum would not be liable to diminution.

The resulting Treasury Minute, dated December 24, 1903, reads:

The Committee draw attention to the loss which has occurred from the investment mainly in Consols of the sum of £2,360,000 which was issued to the National Debt Commissioners under this Act. The Consols were purchased for the most part at the high prices which obtained in 1898 and a part of the year 1899. The subsequent sales of Consols which have been effected from time to time, as money was required for the purposes of the Act, have necessarily been made at a much lower range of prices. Since the date of the Committee's report, parliament has made provision for meeting this loss, an issue having been authorized by the Public Buildings Expenses Act, 1903, of £80,000 being the estimated amount of the net loss from depreciation of securities after allowing for the gain to the Fund from interest on its investments.

My Lords take note of the Committee's view that Consols, owing to their liability to fluctuation, are more suitable for permanent than for temporary investments, and that in the investment of a fund such as the one now in question, Treasury Bills should be preferred, or other securities in which the capital of the fund would not be liable to diminution. My Lords readily agree that, when a definite sum of money has been allocated by Parliament for investment for a particular purpose, every care should be taken that the mode of investment shall be such as to give the utmost possible certainty of the money in its entirety being available as and when required. They desire, however, to point out that up to the time at which the investments for the Public Buildings Act Expenses Fund were made, and for many years before, Consols were regarded as an eminently satisfactory security for this purpose. Consols were preferred for such investments precisely on the ground that they could be bought or sold, in any quantity, and at any time, with a minimum risk of variation in the price. The fluctuations which have marked the price of Consols in recent years had not begun to show themselves in the spring of 1899, nor was it possible then to foresee the rapid fall which was in fact impending.

It has also to be observed that, under present circumstances, if the investment of a similar fund had to be considered, there would be no difficulty in complying with the view of the Committee that short term securities like Treasury Bills should be chosen. There is now a large amount of Government securities of that class in existence, but the great bulk of them have been created since the period at which the buildings fund was invested. At that time there were no securities of the kind except Treasury Bills, and the quantity of those bills had been reduced to the

lowest limit which was deemed compatible with their retention as an effective means of raising money for the Exchequer. There would have been some risk of defeating this object if the Government had taken out of the hands of the public for a series of years a considerable proportion of the limited issue of those bills.

Appendix "A". Extract from the fourth report from the Committee of Public Accounts, 1945-46.

By Mr. Fleming:

Q. This refers to the United Kingdom?—A. It is all the United Kingdom; both the appendices are for the United Kingdom, Public Accounts Committee. I could summarize them both for you if you like. The general conclusion that they reached in the Public Accounts Committee in England was: That they would not put in an individual vote for any work project for less than £100,000. That is the minimum figure they are taking for their works project. The rest are to be consolidated into votes. They have tried that method for over two years, and the Public Accounts Committee found it to work quite satisfactorily.

Appendix "B" deals with the loss of money by investing it.

By Mr. Bradette:

Q. That refers to the United Kingdom as well?—A. Yes, Mr. Bradette, the United Kingdom.

By Mr. Isnor:

Q. Would the vote be broken down in the Auditor General's report?—A. Yes, sir. They break it down in some detail in their vote, but they do not vote subheads.

By Mr. Cleaver:

Q. It is one single vote, notwithstanding the subheads?—A. Yes, sir.

By Mr. Isnor:

Q. You mean in discussions it is considered as £100,000 vote. There is no discussion in regard to the items?

The CHAIRMAN: I am sorry to interrupt you, Mr. Isnor, but before we began with Mr. Sellar today, we established a rule that we would not ask any important questions until we came to the end of his reading of the summary. After that members may ask questions starting with number one.

Mr. ISNOR: Well, Mr. Chairman, I was here at the opening of the meeting.

The CHAIRMAN: I am sorry.

Mr. ISNOR: I understood that Mr. Sellar had already completed his statement.

The CHAIRMAN: No, Mr. Isnor. I think it would be more satisfactory, if you do not mind, to carry on until the completion of Mr. Sellar's comments.

The WITNESS: I would like to answer that question afterwards. The second point had regard to losing money by investing it. In 1898 they passed a blanket Act, authorizing the Commissioner of Works to construct a series of public buildings over a number of years. And for that purpose they appropriated £2,550,000. That money was turned over to the national debt commissioner to invest until the money was actually needed. The money was invested in consols. Consols were selling at a high price, but the South African war came along and the price of consols broke badly. As a result, £80,000 were lost,

when they sold out. In that case the Public Accounts Committee dealt with the matter and criticized the investment in a security which was liable to fluctuate. The committee said they should have invested the money in treasury bills. However, a new appropriation was obtained from parliament to make good the deficit.

By Mr. Bradette:

Q. Those were British consols?—A. Yes. Now, the question has been raised over this £100,000 which they used in England.

The CHAIRMAN: Excuse me, Mr. Sellar. Up to now I have insisted on following a certain order. So I think we should refer to article No. 1.

Mr. FLEMING: Might I ask about the printing in the proceedings of these two appendices, Mr. Chairman? I suggest that they be printed.

The CHAIRMAN: Yes, Mr. Fleming. The whole memorandum and appendices will be printed in our records. Are there any questions with respect to item 1, on page 1?

By Mr. Fleming:

Q. I wonder if Mr. Sellar would enlarge on the practice which obtained in Britain as outlined in the third sentence from the end of paragraph 1, reading as follows: "Many years ago the British Public Accounts Committee relieved the law officers of full responsibility for application where the point of law was, in fact, incidental to questions relating to accounting and financial practices."—A. Their practice over there was as follows: They made a rule first that the opinions of law officers should never be published. Those opinions are treated as departmental information. If I should ask for an opinion of a law officer in England I would not get it because he is not permitted to give it. That is number one.

The second point is: They found that the law officers were being asked to give opinions based on a statement of a particular set of facts. In other words, the law officers might not have the full story before them on which they would give an opinion. Then the department might twist that opinion to apply to other sets of facts, and it was found to be generally objectionable. Therefore, they made a rule that before any department applied for a legal opinion on any financial or accounting matter that department must first submit its request to the Treasury in order to make sure that the text was all-embracing so that the law officers would have a complete statement of the facts and points involved before them.

Secondly after the law officers gave an opinion it was ruled that the Treasury must then review that opinion, and if it was decided that financial or accounting problems were of the essence of the matter, then Treasury had the power to take the responsibility of making directions as to how that opinion was to be applied. The Public Accounts Committee approved that practice as early as the 1890's and they have been following that practice ever since.

Q. Does the practice vary in that respect in Canada? Would you recommend a change in our practice?

The CHAIRMAN: Would you be good enough to speak a little louder, please?

Mr. FLEMING: I am sorry, Mr. Chairman.

By Mr. Fleming:

O. My question was: What is the practice in the same regard in Canada, and in what respect, if any, does Mr. Sellar recommend that the practice be changed?—A. The practice in Canada is that the deputy minister of any department enjoys the full right to write to the Deputy Minister of Justice

and state a set of facts to him and ask for guidance as to what he should do. The Deputy Minister of Justice, in theory, has to deal with that communication. It is true that he may go behind the scenes and enquire from other sources as to what might be involved, but he gives his opinion based on that particular state of facts. We have followed the practice of quoting him, and of saying that he is responsible for a practice being carried on in a certain way. I do not think it is fair to the Deputy Minister of Justice. I think that the department is in question, the department seeking the opinion, is the one to take the full responsibility and that it should not be able to pass anything off on to the Deputy Minister of Justice.

My thought is, that whenever a matter arises dealing with financial practice or accounting practice, the Deputy Minister of Justice, when he receives a communication of that nature, should ask the Minister of Finance if the minister has any supplementary data which he would like him to take into consideration before giving an opinion.

By Mr. Sinclair:

Q. Do you say, Mr. Sellar, that under British practice, these matters are treated as privileged and confidential?—A. Yes.

Q. But you say that our practice here in Canada is not to treat them that way?—A. No.

Mr. ISNOR: Mr. Chairman, I have a question in respect to the last paragraph on page 1.

The CHAIRMAN: I am awfully sorry, Mr. Isnor, but we are still on item No. 1.

By Mr. Sinclair:

Q. Mr. Sellar, I take it that these communications and opinions of the Department of Justice addressed to other departments, in your opinion, should be privileged for the use and benefit of the officers who receive them, and not be regarded as legal opinion so far as other cases which might arise. Is that your point?—A. I would not like to go quite that far, Mr. Sinclair. You see, we are not lawyers. The Department of Justice may have a set of facts placed before it. They give an opinion of that set of facts. Then we may take that opinion and use it in connection with another set of facts, in the belief that they are similar. But, in fact, the facts may be entirely different. Therefore, I say that we should not follow the practice of asking the Deputy Minister of Justice: may we or may we not do this?

By Mr. Croll:

Q. That is not the deputy minister's difficulty, but rather it is your difficulty, Mr. Sellar, in using facts as a precedent and applying that precedent where it should not be applied. A. That can happen, sir. I do not go to the Deputy Minister of Justice at all. I rather take the view that, as a parliamentary officer, I cannot be bound by the opinion of an administrative officer.

Q. May not the decision given by a department to another department be challenged in the courts? And who is going to challenge any act taken by your department, Mr. Sellar, in the courts?—A. I have no power to reject payment.

By Mr. Cleaver:

Q. Is your problem not this, Mr. Sellar, that occasionally parties may cite a ruling or a legal opinion of the Department of Justice in connection with a case to which you do not think that ruling or opinion should apply, on the facts? A. Yes, Mr. Cleaver, and I think the Department of Justice

is not the best place to decide a question which involves financial or accounting matters. In my first paragraph I referred to paragraph 62 of my report. Briefly, the facts are as follows: Judges' Act provides for pensions to be paid to judges at the rate of two-thirds of their salary. It also provides that if retired judges take positions in the public service, while on pension, then their pension should be reduced. The Wartime Prices and Trade Board used some retired judges, chiefly in connection with rental boards, and they paid them \$15 a day for their services plus an allowance for expenses. The question was put to the Deputy Minister of Justice, whether that was salary. The Deputy Minister of Justice ruled that it was salary, but the nature of the payment, the method of compensation on a daily basis made it very difficult for him to reconcile it with the section of the Judges' Act applicable, and he said he could not see how it could be done. But we, on the accounting side, could have seen how it could be done.

Q. I take it that you would not have raised this point at all if an instance had not arisen where you believe that Justice gave an opinion different to what it should have been if all the facts had been properly presented to Justice, or if some department had recited to you an opinion from Justice which you believed was not a correct opinion.—A. I would not put it that way, Mr. Cleaver. I know that the Department of Justice is very careful in its opinions. I think the Department of Justice is being treated unfairly by not being given the full story.

Q. Do I understand your recommendation to be that before any department asks for the opinion of Justice, the Treasury Board should have an opportunity of going over the facts and of making additions or corrections to those facts on which Justice is to give an opinion?—A. I would not say the Treasury Board, sir. That would slow up the procedure. Moreover, the Treasury Board is on the plane of ministers. The Treasury Board is composed of ministers. Actually, you would accomplish the same thing by saying that the Minister of Finance should review it.

By Mr. Croll:

Q. He should review the facts in that decision.—A. He should review the facts that go to the Deputy Minister of Justice.

Q. I did not gather that that would satisfy you, because a moment ago in an answer to a question you said that despite the decision made with respect to a rental judge—you used that as an example—the opinion given by the Deputy Minister of Justice—you could have shown him how the decision might have been otherwise. Are you not giving an interpretation of accounting rather than the legal effect?—A. I am sorry that I did not explain myself properly. What I was getting at was this: if that had to go to the Minister of Finance before, he would possibly say—I am saying "possibly" because he might not—"Here, this is not a point of law at all, this is accounting; you are not going to go to Justice, you will proceed on a certain basis and I will take the responsibility for your going that way."

By Mr. Mutch:

Q. In the case of a decision like that the rental judge who is himself being affected by this would probably contrive to make it a matter of legal interpretation since he would, presumably, suffer from that decision, and you probably would not avoid litigation either in the form of an appeal or actually in the courts if you so interpreted it?—A. I used the case of the judges because I have it in the report. The practical situation is this: it is almost impossible to get men to take those positions and certainly a retired judge has got a better mind for dealing with those situations than a person who is just picked off the

street. They have taken these gentlemen to do the work and I do not think any of them have made any money out of it. I am not criticizing them in any way. I am illustrating that there are solutions that could be worked out fairly with the judges and others.

Q. The fact remains that if they were going to lose money by performing an additional public service, they having reached the age of retirement, the public service would likely be deprived of their services?—A. The alternative is that as it is today they are getting more than they got on those particular days when they were judges.

Q. Let me ask you this question: was it Judge Carroll of Quebec who was acting as lieutenant governor who was refused payment at the time he was acting as lieutenant governor? I assume that was your decision?—A. No.

Q. Under those circumstances he did have recourse to the courts, and whoever made the decision in the government the courts found otherwise. Now, that was a legal interpretation, and your suggestion is that under such circumstances we leave it with the administration officers as in done at this time?—A. No, leave it with the Minister of Finance.

Q. Yes, leave it with the Minister of Finance who makes these decisions.—A I think we have bogged down our Department of Justice with too many matters that are really outside their field.

MR. SINCLAIR: Your remarks have special reference to financial matters?

THE WITNESS: Purely financial.

MR. MUTCH: That might explain why the Department of Justice gives us so many completely contrary rulings.

By Mr. Bradette:

Q. I was going to ask this question for information. I see these words in paragraph 1:

An illustration is the point in paragraphs 62 and 91. In both, the question really is whether a strict legal interpretation should be applied to problems which are really of accounting and financial nature.

Sometimes it is awfully hard to divorce things of a financial nature from points of law; we are bound to have some running on parallel lines, and you must rely on law for the application of some of these agencies. What is the reason for that paragraph? You seem to think the Department of Justice should have no jurisdiction over those two departments, or those two individuals?—A. No. Let us take 91. I read the Justice opinion into my text. Now, in that case it was purely an internal accounting matter whether \$5,000,000 should be recorded as revenue, as an account by way of interest, or whether the \$5,000,000 should be shown as part of the profits of operating the Foreign Exchange Control Board. No individual was concerned whatsoever. It was purely a bookkeeping matter within the public accounts.

By Mr. Mutch:

Q. Does not that hinge on the interpretation of (a) the law, or (b) an order in council, and that interpretation must, in the first instance, be a legal interpretation, must it not? Or, in this case an order in council, say, and is it not true that only the law officers of the Crown can indicate what is the intent of legislation, whether it be in the form of a statute or an order in council? A. In this particular case I am willing to agree with the law; but the Department of Justice relies on giving an interpretation of the word "advances" and the word "advances" to an accountant means a very simple thing. We understand that. But to the law officers, apparently, it means something different.

Q. It means something different in each specific case they deal with. I would not quarrel with that.

By Mr. Bradette:

Q. Your point applies to specific cases in your department, not in the general tenor of legal activities in accountancy and financing?—A. I am referring purely to transactions that do not affect materially any individual or the public. Within the framework of administration. That is essentially what I am after; in order that the accounts be kept as simply and as clear as possible.

By Mr. Richard (Ottawa East):

Q. Is not that just what exists in our other departments; there are too many administrative problems being referred to the Department of Justice, and departmental heads are not taking upon themselves sufficient authority to decide their own problems?

By Mr. Cruickshank:

Q. From where I am sitting I have heard some private conversations and some mumbling, and I want Mr. Sellar and the members of the committee to understand that if I cannot hear what is going on I will stay in my own room. I have a question to ask, and it is this: would it be warranted to have a new branch established in the Department of Justice staffed by legal experts and experts in business accounting to advise all departments of the government on all legal and financial problems on government expenditures?—A. Mr. Cruickshank, in reply to your question I do not think we need any new section in the Department of Justice. It is a good department. Do not think I am reflecting on them in what I am saying. All I am interested in is having the public accounts kept simply and clearly so that the members of the House of Commons can readily grasp what is involved. I have referred to paragraph 91 in my reports today and to the fact that when you are looking at the Foreign Exchange Control Board you want to know how much money was made in the year. The report shows \$10,000,000. Actually there was another \$5,000,000 which was charged up as a fiction of interest on loans. Really it was \$15,000,000. It would be desirable to see it all in the one place. That is my reason for introducing this matter. We have a good Department of Justice; and do not think that I am reflecting on it in any way. I do think they are overloaded with questions they should not have to deal with.

Q. Have they sufficient staff? Would you say that the Department of Justice has a sufficient staff?—A. I would not like to answer that question.

THE CHAIRMAN: May I suggest that members follow the example set by Mr. Cruickshank and rise when they address the committee. It might help us to hear everybody better. Mr. Richard asked a question a short time ago. Perhaps he would repeat it.

By Mr. Richard (Ottawa East):

Q. I was asking a question of Mr. Sellar as to what is the situation in all departments and whether administrative heads do not take enough upon themselves to answer their own administrative problems, and refer too many matters to the Department of Justice.

MR. SINCLAIR: I suggest it is an unfair question.

MR. CRUICKSHANK: May I suggest that Mr. Sinclair stand up.

MR. SINCLAIR: I suggest that is an unfair question, to ask him to comment on or condemn the other departments.

MR. RICHARD: The Minister of Finance, then.

By Mr. Cleaver:

Q. Perhaps I could put Mr. Richard's question in a more palatable form to the witness. Mr. Sellar has given the problem to us. I wonder if he would mind putting on the record now just what he would recommend be done to meet the problem?—A. What I will suggest, sir, is this, that this committee do not go definitely on the record recommending anything, because you are going into the administrative side. But I do think this, that you could go as far as to indicate that you think that on the two types of cases I have brought to your notice it might be prudent to have departments follow the practice of submitting to the Minister of Finance their proposed submissions to the Department of Justice in order that the Minister of Finance could make certain that everything is covered thereby.

Q. You have said their proposed submissions?—Yes.

Q. Would you indicate the types of submissions to which you refer?—A. They would just write a letter.

Q. The types of problems?—A. I am talking of purely those of a financial administrative character within the framework of government administration—not affecting private individuals.

Q. That was the indication I wanted.

By Mr. Fleming:

Q. In connection with this matter of getting accounting advice before questions are submitted to the law officers may I ask Mr. Sellar if the Auditor General is ever consulted by any department of the government with reference to problems of that nature which have accounting aspects to them, before the matter goes to Justice?—A. We are consulted every day, sir, mainly to shut us off so that we will not criticize afterwards—get us committed in advance; but they do consult us, and sometimes they follow our advice without going to Justice. Sometimes they go to Justice and Justice produces a very interesting and valuable contribution to the problem; so the relationship with the department is good. The departments are keeping their accounts well and I think on the whole are trying to obey the rules.

Q. You have no objection to being consulted by departments?—A. It happens every hour of the day. My officers are being asked questions and I am being asked questions.

Q. With regard to this matter of trying to bring accounting science to bear on matters which otherwise would be treated as legal problems, it strikes me and I put this forward that the Auditor General is rather a person to go to with problems of this kind than the Minister of Finance? Now, does not that mean that you are burdening the Deputy Minister of Finance with a great many problems—pardon me. I mean the Deputy Minister of Justice. Now, is not the recommendation that the problems having to do with accounting be referred to the Minister of Finance likely to have the same effect on the matter? If these problems are problems that admit of or are likely to be assisted by advice of an accounting nature would not the Minister of Finance be more likely to be able to help?—A. Sir, the answer to that question is this, that all kinds of expenditure accounts are kept by the Comptroller of the Treasury who is an officer of the Minister of Finance; therefore, if a department is going to Justice against a decision of the Comptroller of the Treasury the Minister of Finance by having notice of it can ask the Comptroller what his side of the case is and make sure that there is a full statement so that Justice has all the facts before it. That is the crux of it. Now then, so far as committing myself is concerned, I have a dislike to committing myself in advance. My duty is to report to the House of Commons my opinions each year. If I agree to something that literally ties my hands and the hands of my staff, with the result

that my freedom of action is restricted. Further to that, the Comptroller of the Treasury is the particular one who is consulted in the usual course of events and I do not think that I should try to superimpose my opinion on any department.

Q. No, it is not a question of superimposing at all, it is a question of this matter of consultation. I rather gathered from your remarks that you had given approval to the practice of consultation with your department by other departments who had these problems having financial or accounting aspects to them.—A. Yes. You see, my staff generally are in the departments, they are not all in the Confederation Building, they are working with the accounting sections; they are right in there and available for consultation all the time. When we can't get the explanation we want right away we don't write to someone, we go to them and ask them to produce their records and then we ask them; why did you do that? The point I was trying to make clear there, sir, is this; that when a matter is referred to Justice for an opinion, Justice should have the whole story before them with every implication of it; then they would be in a better position to render an opinion.

By Mr. Isnor:

Q. Mr. Chairman, there is a question I would like to direct to the witness which relates to the balance in the Foreign Exchange Control Board's account. We see in section 4 a reference to the fact that the financial statement of the Board opened with a deficit figure of \$28,000,000 and that a profit of \$10,000,000 was made during the year without reducing the amount in the deficit account at the end of the year. Now, my question is this, from an accounting standpoint, should not that \$10,000,000 have been shown in that account?—A. Are you discussing now this matter of reference to the Department of Justice?

Q. No, I am asking you to brush aside the legal aspect of it for the moment and deal with it purely from the accounting standpoint.—A. From an accounting standpoint the exchange fund account is a straight trading account where you have your gains and your losses and where one should be offset against the other. The consolidated statement which was recently laid before the House of Commons showed a deficit of \$28,000,000 carried forward from the war years despite the fact that there was \$10,000,000 surrendered as revenue last year, and so much further this year. Personally, I think that that \$10,000,000 should have been applied against that deficit of \$28,000,000 and reduced it to \$18,000,000, and that the interest amounts indicated herein should have been treated in the same way.

Mr. MUNCH: The fact is we got that \$10,000,000 back but we have nothing to show for it as against our earlier deficit.

The WITNESS: Yes.

Mr. CASE: On a point of order, Mr. Chairman, perhaps I may not have heard the witness correctly; as you know, it has been rather difficult to hear all that has been said even where I am sitting. I have one point in mind which I would like to have cleared up, namely: did I hear Mr. Sellar correctly when he was speaking a moment ago about the legal aspect of this matter in reply to a question because I think he said, at least as I heard it, that a retired judge would be a better man to give an opinion rather than someone picked up off the street. What was his reference to someone being picked up off the street.

The WITNESS: What I meant by that, Mr. Chairman, was that you have to study all these questions and you have got to have a competent man who would give impartial consideration to them, one who is capable of hearing the argument by both sides and giving a competent judgment. It is with that thought in mind that I made the statement I did to the effect that a man with fifteen or twenty years experience as a judge would be a better man to do that sort of thing than, as I said, a man whom you just picked off the street without any legal training and so on.

Mr. CROLL: Might I say this—if I understand what you have been saying correctly, and if I am wrong you can correct me—that apparently this is what happens: the deputy minister has a problem and he calls up someone in your department who gives him a verbal opinion; he does not like it and he says, just to be sure of his position, that he is going to take the matter up with the Deputy Minister of Justice. He goes to the Deputy Minister of Justice and he gets an opinion, and then it comes to your notice and perhaps you do not agree with that opinion. However, he has the opinion and he has that advantage over you. Then you go to the Justice Department and you say: well you did not have all the facts before you when you gave that decision—but that doesn't help you because it has already been given—but what you have in mind is that before a matter is submitted to the Department of Justice both sides of the story shall be on record; isn't that it?

The WITNESS: You are using the personal pronoun there, and if you don't mind I would like to avoid that.

Mr. CROLL: Well, no, I don't mind.

The WITNESS: What I meant was that the Deputy Minister of Justice should have every angle of the case before him and all the facts, so that when he deals with it, he will not be dealing with just one side of the issue. That is what I meant.

Mr. NICHOLSON: Mr. Chairman, we seem to be agreed on this, why don't we make a recommendation?

The CHAIRMAN: Might I say, Mr. Nicholson, that at the moment we are studying the contents of this brief rather than dealing with recommendations. Of course, we have the right to make the recommendation, but I suggest that in the usual way that should be reserved to a later stage of our proceedings. We have just started on this memorandum, and are discussing it section by section, and I think we should confine our activities at this stage to the completion of that study.

Mr. NICHOLSON: Are not the committee agreed that we should make a recommendation at this time?

The CHAIRMAN: No, not at this stage.

Mr. NICHOLSON: Well, Mr. Chairman, the paragraph which is now before us does make mention of the fact that \$10,670,000 was not used; it also makes reference to supplementary estimates. Now, isn't that what happens every year? What is the explanation of the fact that so many departments ask for money which they do not use?

The WITNESS: I understand the supplementary estimates were brought down in the House this week. Naturally, my staff in the several departments will be giving them just the same attention as they do any other votes. We carry on what is known as a continuous audit. Now, when it comes to an explanation of these items, I cannot give you any explanation because I have nothing to do with the preparation of estimates.

Mr. CROLL: You did give an explanation in the report here, you say why.

Mr. FLEMING: May I ask, Mr. Chairman, if he follows through on the receipt of the money appropriated before the end of the year for certain specific services that are not actually rendered before the end of the year or not actually performed until later on, and he includes such items in his report?

The CHAIRMAN: Let us not switch to the report yet.

Mr. FLEMING: This is with reference to the item we have before us; the payments are made before the services are performed. My first question is: does the auditor-general follow through, we will say in the accounts of the following year, to ascertain if the services were performed for which the payment was charged in the year ending the previous March 31st?

The WITNESS: Yes, it is our duty to follow all expenditures through, but to us there is nothing magic about March 31st. It is just the end of the year. As I said, our audit is a continuing thing, but for the purpose of reports, a certain date is desirable and in the case of government accounts the deadline is March 31st, the end of the fiscal year. However, that does not change our activity with respect to the audit of expenditures, the proper audit of property accounts and so on.

Mr. FLEMING: I take it then that as to these cases where you have payments charged before the services were performed, you study the account after March 31st and you do find out that in fact these services were performed.

The WITNESS: I thought you were referring to this paragraph. I do not know just to what you have reference.

The CHAIRMAN: I do not think we should go into that at this time.

Mr. FLEMING: But we are dealing with that in connection with this paragraph.

The CHAIRMAN: Just a moment. Might I say this, we are not entering into a discussion of the report at this moment but just paragraph two of the memorandum which is before us. I do not think we should ask the witness to go outside of the memorandum to discuss sections of the report at this time. We will come back to the report later on.

Mr. FLEMING: But, Mr. Chairman, this is the first item of section two, or paragraph two as you call it. Is not that what you are referring to?

The CHAIRMAN: I am referring to paragraph two of this memorandum.

Mr. FLEMING: This is an important matter. I understand—

The CHAIRMAN: Even so, you are referring to an item in the report of the auditor-general which we will discuss later on. At the moment we are dealing with the contents of paragraph two—or perhaps I should say section two—of the memorandum which Mr. Sellar has put before the committee this morning. I would like to see our discussion limited to the subject matter of the memorandum itself.

Mr. FLEMING: Very well, Mr. Chairman, I hope you do not misunderstand me. I was referring to paragraph two, and to the related section in the report.

Mr. CRUICKSHANK: Speak up so we can hear you, please.

The CHAIRMAN: Yes, I think we should speak louder.

Mr. FLEMING: Mr. Chairman, I thought I was being courteous.

The CHAIRMAN: That will explain to you why I chose a much smaller room for our earlier meeting. While we have much improved lighting and space in this room we have much worse acoustics.

Mr. FLEMING: I would like to ask Mr. Sellar this—this is pertinent to the section under discussion—he is talking here about lapses in appropriations, and then steps apparently were taken with a view to preventing the lapse of appropriations by making commitments in anticipation of such lapses of appropriations.

Mr. SINCLAIR: What are you discussing now, is it paragraph 2 of the memorandum?

Mr. FLEMING: I am referring directly to this paragraph 2, or section 2 of the memorandum. It states here specifically, "about \$245,000,000 lapsed unused". And he goes on, "many lapsings stem from decisions to postpone work because of scarcity of labour and materials", and so on.

Mr. SINCLAIR: What you are referring to now is referred to in the report of the Auditor General. We are not discussing the report of the Auditor General yet.

The CHAIRMAN: That is the point I have tried to make.

Mr. FLEMING: It is right here in the paragraph from which I just read.

Mr. CLEAVER: May I ask Mr. Fleming a question? I want to make sure that I understand what this is all about. Is your question regarding expenditures based on anticipation of a revote? A certain item is voted and appears in the votes for a certain year but it is not spent in that year and because it is not used it lapses and has to be revolted. Now, the question I am directing to you is this; are you concerned about the time which elapses between the voting of an item and the revote which takes place the following year?

Mr. FLEMING: No, I am simply seeking to deal with this problem of lapsing of which he speaks here. Now, the chairman has indicated that he does not want me to pursue one aspect of the matter, namely payments made in anticipation of lapsing. The study generally speaking has to do with the utilization of votes. That is what I was trying to take up with the witness when the chairman ruled my question out of order.

Mr. CLEAVER: I do not understand what you mean by lapsing. Surely a payment made before the vote lapses is quite proper.

Mr. FLEMING: These are payments made before services are rendered or performed.

The CHAIRMAN: I do not see anything in this memorandum dealing with that.

Mr. FLEMING: So you rule it out of order?

The CHAIRMAN: I have ruled that it is out of order because it is not dealt with in this paragraph now before us.

Mr. FLEMING: Very well, Mr. Chairman, we can come back to that on another item.

Mr. CASE: Mr. Chairman, might I speak on a point of order?

The CHAIRMAN: Certainly.

Mr. CASE: We have Mr. Sellar's report before us and your ruling is that we have to confine ourselves to a discussion of this memorandum paragraph by paragraph. Now, there is this section 2, and surely if the matter raised relates to the subject matter of that paragraph a discussion of it would be in order. Are you referring to this particular paragraph, Mr. Chairman?

The CHAIRMAN: I am just referring to the fact that in the committee on agenda we decided that today we would limit our discussion to the actual terms of the memorandum which has been submitted to us by Mr. Sellar and then on a later date when the Auditor General comes before us again we can raise one after the other all of the points that are mentioned in his report, but that for this morning we will confine ourselves to a discussion of matters directly relating to the memorandum which Mr. Sellar has placed before us.

Mr. FLEMING: My point is, Mr. Chairman, that this is part of paragraph 2.

The CHAIRMAN: Let us say it is part of section 2, I see that sections are divided into a series of paragraphs. We are now discussing items relating to section 2 of Mr. Sellar's memorandum.

Mr. FLEMING: You are dealing with section 2?

The CHAIRMAN: That is right.

Mr. FLEMING: Under the terms of your ruling then may I put a question to Mr. Sellar arising out of the statement that appears on page 2 of the report which was submitted to us this morning?

The CHAIRMAN: At the moment we are dealing with the first paragraph of section 2 of Mr. Sellar's report. Is that what you refer to?

Mr. FLEMING: Yes.

The CHAIRMAN: I am sorry.

Mr. FLEMING: On page 2 Mr. Sellar says "I feel that, pending a complete overhauling of the system, it might be suggested that (a) various vote items be consolidated, and (b) the actual expenditures in the last completed year be placed opposite each item, rather than the previous year's estimate."

Mr. Chairman, I say that the latter part of that recommendation is something which we welcome, but I would like Mr. Sellar, if he would, to enlarge upon what he has in his mind with reference to a complete overhauling of the system. He recommends, pending a complete overhauling of the system, first the consolidation of the various vote items and second showing last year's expenditures rather than last year's estimates. May I ask Mr. Sellar for his ideas for completely overhauling the system? Perhaps he will also indicate how, in the light of recommendation (b), he would handle the case where estimates may be reviewed before March 31st, or say early in April, and when the expenditure for the previous fiscal year may not be completely stated. We have had the question raised in the House on many occasions as to why the actual expenditure cannot be given.

The WITNESS: - The reference to overhauling arises from what transpired two years ago when I was before this committee. I was asked to submit my views on the question of the form of the estimates. I did so. This committee submitted a recommendation to the House of Commons that the House of Commons consider changing the system of the estimates, somewhat on the basis of my thoughts. The committee did not take it upon itself but it recommended that the government consider my suggestion and that is why I say "pending overhauling of the system", because you have already made the submission. Basically my thought is the votes should be reduced in number and that the revenues from the votes should be identified with the cost of the operation so that you would have a complete picture before you of what is involved and whether a service is self-supporting or not. That is the basis of my recommendation put before the last committee and to accomplish that you would materially reduce the number of votes. I think we have too many votes in this country. The system is confusing to members of parliament when trying to decide whether they should speak on a particular vote number or whether the subject about which they are concerned is contained in another vote. I think you should be relieved of that problem and that you should have it quite clear.

What I am thinking of with regard to putting the expenditures opposite arises from the long standing complaint from parliament that when the main estimates are brought down there is no comparative column showing the amount to be voted this year as against the amount voted last year. Sooner or later some member gets up and says that the amount includes the supplementaries voted last year and that as there is no reference to the supplementaries this year the vote indicates a better showing than exists.

What I am suggesting is that you would have three columns, one containing the estimate for the coming year, one containing the total estimates granted for the previous year and the third showing the last completed year's expenditure. You would have the whole picture there. You would not have to do what I might call "stabbing in the dark" and you would have a self-explanatory statement.

May I now answer Mr. Isnor's question of a moment ago regarding the English practice.

In England where they use £100,000, the practice is different. In the English parliament they are limited to the number of days on which estimates can be considered and my recollection is that the limit is something like twenty days during the whole session. When that time has elapsed all estimates that have not been considered are automatically passed, and that is one reason

why they want to keep their items fairly large. They have not got the time to waste on little items. That is why they have adopted the figure of £100,000 but I am not suggesting that \$400,000 is the figure that you would want to use in Canada. I merely bring the matter up to indicate the decision to raise the figure.

Mr. PINARD: Can you tell us the figure you would suggest for Canada?

The WITNESS: Well, sir, I would put it this way. In every vote a department puts in a cushion and the smaller the vote the bigger is the cushion, relatively speaking.

Mr. CRUICKSHANK: There is a pretty small cushion in my riding.

The WITNESS: When I was in the treasury I could run salary costs of a staff of 1,000 people at 1 per cent less than the amount which I asked from parliament because I would have during the year sufficient resignations, deaths, and casualties of one sort and another that I had a cushion actually within my total. Therefore, I say that when a vote is mainly a salary vote you do not need a cushion of more than 1 per cent or $1\frac{1}{2}$ per cent, if it is a fairly large vote. If you have a lot of small votes you are going to put in a cushion of 5 per cent to 10 per cent and therefore you are voting more money than is actually needed. You can see that by the amounts which lapse. When we apply to the Treasury Board for estimates they ask how much we spent last year and if we can show that we spent every cent we have an argument which is accepted in our favour. Therefore we may have spent money we did not actually need just because we had a margin.

Mr. CLEAVER: I wonder of Mr. Sellar would now indicate to the committee the various vote items which he suggests should be consolidated? Perhaps he could confine it to the type of votes?

The WITNESS: I suggest it can be done where you have a straight administrative service. In an ordinary department you start off with administration and then you break it down to the various branches. I think one vote is sufficient for all of those with sub-headings at which you can look and see the actual expense by branches. That is the sort of thing I speak of. There could be a division when you come to capital expenditure and maintenance of works. For instance with respect to canals I cannot see any distinction between operation and maintenance. If we are going to build a new canal it would be different, but if we are just going to fix up a lock I would say that it should be included in the one vote.

Mr. CLEAVER: The overall result is that your reserve for the unforeseen, or the cushion as you call it, being applied to one item could be considerably smaller.

Mr. FLEMING: May I ask Mr. Sellar a question about this matter of the cushion. Do you find it general practice in estimating to set up cushions on all items?

Mr. CROLL: Of course it is.

The WITNESS: We will never admit, sir, that we have a cushion in, but we all put cushions in.

By Mr. Fleming:

Q. To what extent do these cushions exist?—A. You can go by the lapsings. That is what you have to go by to see the real cushion. As a rule it will run anywhere from two per cent to five per cent of the votes.

Q. Your recommendation with regard to showing in the estimates the actual expenditure for the last year is made because you feel you can eliminate those cushions, or reduce them?—A. No. There is nothing which scares civil servants more than to face criticism from the House of Commons and if you have actual figures to criticize us upon we are more vulnerable than when you have got to pull figures out of the air.

Mr. SINCLAIR: We know that.

Mr. FLEMING: Let us come back to the matter of expenditures?

Mr. NICHOLSON: I wonder if Mr. Fleming would change positions with Mr. Sinclair down here so that we can all hear him?

Mr. CRUICKSHANK: Do not call me Sinclair.

Mr. FLEMING: One's tendency is to face the witness.

The CHAIRMAN: Fine.

Mr. FLEMING: When this question of showing expenditures in the estimates as the estimates are printed before the end of the year and before what we know the expenditures are, therefore all that can be given the House is last year's estimates, or last year's appropriation. What could be recommended to overcome that situation? Could it not be overcome by showing the actual expenditure since the date of the appropriation or estimates to perhaps the 31st of December as so much, and then give the anticipated expenditure for the portion of the year then remaining? Could you make some practical suggestion there, Mr. Sellar, to meet the question that is so often raised in the House?

Mr. BEAUDRY: The suggestion is made in paragraph (b) that the actual expenditure in the last complete year be shown opposite each item.

Mr. FLEMING: I do not know whether Mr. Beaudry was quite following me. When this question has been raised in the House, and it has been raised quite often, I have been very interested. The answer given to us is that the actual expenditures or the estimates cannot be shown in the printed book because the estimates are prepared in the fall and it is impossible to give the complete expenditure for the year. I am asking Mr. Sellar whether he could recommend to us some means by which that physical difficulty could be overcome? I ask for specific comment on the one suggestion that the actual expenditure be shown to the date when the estimate is prepared—perhaps the 31st of December—and then the estimated expenditure for the balance of the fiscal year might be shown.

Mr. BEAUDRY: You are dealing more with the question of time than the question of balances. You are narrowing the matter down to so many days a month over which you would like to see the expenditure shown.

Mr. FLEMING: I am not narrowing the matter down at all. We have a recommendation here, and a very sensible recommendation, that the actual expenditures in the last complete fiscal year be given. That would mean, as things stand now, that the last fiscal year would be twenty months old before we reviewed the estimates. It would be helpful however, to the House, to have as much information as possible about the actual expenditure for the fiscal year just closed. If we review the estimates in April we would like, as far as possible, complete expenditure for the previous year, complete to March 31st. If the recommendation is applied as it stands now it would mean complete expenditure to March 31st of the previous year. I wonder if Mr. Sellar could not help us out with a practical suggestion?

Mr. WARREN: Does this discussion all centre around the fact that there was some \$30,000,000 voted in the supplementaries and of that amount some \$10,000,000 was not expended?

The CHAIRMAN: We are discussing the whole principle involved in item No. 2.

Mr. WARREN: What would you do in this case? The Public Works Department decided that they were going to enlarge a building in the town of Pembroke in my riding.

Mr. SINCLAIR: Why?

Mr. WARREN: Because it was too small. The Public Works Department sent men in to make a survey and they found they could not get sufficient land around the public building to do the work and naturally that vote lapsed. The amount was \$25,000, a part of this \$10,000,000. This year came around and the vote was \$100,000 to buy property on which to build a new building. The original \$25,000 is part of the \$10,000,000. How could the situation be avoided? The department did not know property around that building would not be available. The result was they proposed to build a new building and sell the present property to the municipality for municipal offices.

I suppose there are thousands of those situations which arise across Canada in different departments, public works and other departments. Does that not explain why the \$10,000,000 was not expended?

The CHAIRMAN: Mr. Sellar will answer the question.

Mr. BEAUDRY: May I ask Mr. Fleming a question in order that I may understand him. Mr. Fleming, your point is in dealing with the 1950 estimates before the House, from the period March 31, 1949 to March 31, 1950, you would like to see against the various items the actual expenditure up to December 31, 1948? Is that the point you are trying to make?

Mr. FLEMING: I would like to have the actual expenditure for the fiscal year ending March 31, 1949. I think it is our duty and the duty of the House in reviewing the estimates for the fiscal year 1949-50 to insist on that information before passing an item. We are up against the physical difficulty of printing the estimates because the book is printed before the end of the fiscal year, March 31, 1949. I suggest in those cases it might be practical to give the actual expenditure up to the date of the printing of the estimates, which date might be December 31st and along with the figure on expenditures there could be given the figure for the estimated expenditure during the balance of the fiscal year. I would like to have Mr. Sellar comment on that suggestion because it is something about which he has made a specific recommendation. Mr. Sellar's recommendation, if read literally, would only give the actual expenditure for the fiscal year ended March 31, 1948, having regard to the time of the year we now review the estimates.

Mr. CRUICKSHANK: May I follow that up? It is not clear to me how you can give the actual expenditure to the end of March when we bring down the estimates before that time, as we do now. Would it not be a simpler matter to bring down figures for the calendar year? Our estimates come in about the 15th of March.

Mr. SINCLAIR: The use of the calendar year might be a good idea.

Mr. CRUICKSHANK: How can you say what the actual expenditures to March 31st will be when the estimates are brought down on the 14th of March? Would it not be better to use the calendar year?

The WITNESS: There are two questions and if I may, sir, I will answer Mr. Fleming first.

There is a point in the fact that you would like to have your expenditures as close as possible to the estimates you are considering. On the other hand, sir, bear this in mind. As a rule there is no material difference in the operating charges of administrative services from year to year. They are fairly consistent unless you have new services or, by reason of new legislation, you have added to those services. I am speaking now of the routine departments.

Reference was made a moment ago to the building at Pembroke. That situation is an entirely different thing. That is not a further amount which is required but it is a different vote and it would not come within this suggestion.

Therefore, what I was suggesting with regard to Mr. Fleming's thought was that you take the actual expenditures for a completed year. The last completed year would give you something to go on. Every minister will have, in his estimate book, his known expenditures up to date, when his estimates are being considered; and you can get that figure from him without any trouble. Therefore, you are pretty well covered even if you are a year old.

With regard to the calendar year, the problem is one mainly of the convenience of the House of Commons. If you made use of the calendar year, you would have to come here every fall to consider estimates and to vote supply before Christmas. That is the only reason.

If your fiscal year ran out on December 31, then you would have no money appropriated for January or February until you got down to it. You need supply to carry on to the first of January.

Up to 1907 the fiscal year of Canada was June 30. But you changed then to March 31. You put through your interim supply this week.

By Mr. Benidickson:

Q. Could we not do that when we leave?—A. No, because you would not have the estimates.

By Mr. Cruickshank:

Q. Why could we not vote? I do not mean for the construction, let us say, of a \$12,000,000 bridge across the Bay of Fundy, but rather for normal interim supply, before we leave?—A. I find myself venturing into politics now when I give you my answer. I am not a politician. The opposition has always regarded the grant of interim supply as an opportunity to raise objections and complaints about the King and the government of the day. Therefore, over the years, my experience has been that the opposition has never been willing to grant interim supply for a period longer than two months. I well remember, in 1926, we had great difficulty in getting interim supply for as long as 30 days. You see, it is a political question. It is also a constitutional and a parliamentary question.

MR. NICHOLSON: A question was raised earlier regarding a possible recommendation by Mr. Sellar on the subject of grouping; whether he would care to make any recommendation regarding grouping in respect to the Department of Agriculture.

THE CHAIRMAN: I am sorry, Mr. Nicholson. We must abide by our rules. We cannot go into recommendations concerning any definite department at this time.

By Mr. Nicholson:

Q. Oh, Mr. Chairman, I was referring to a suggestion made by Mr. Sellar as to how the grouping, in his report, might be carried out in practice.—A. I would not like to say definitely anything about this item or that item, without giving it a little further study. But when I was drafting this particular paragraph it so happened that one of the deputy ministers of transport came into my office. I said to him, "I am going to use you as an example, in a memorandum for the Public Accounts Committee, if I should be called before that committee." I said, "You have got 71 votes, and I think you have got too many. In my opinion not more than 22 votes are needed for the Department of Transport." He said, "My figure was a little less. I would have suggested 20 votes." You see, both our thoughts were that the Department of Transport, which has about 70 odd votes today, could have accomplished the same thing with a matter of 20 to 25 votes.

By Mr. Fraser:

Q. Did you not say, Mr. Sellar, that if a lock was to be built, it would come in under the estimates for transport or for public works or some suitable heading? Do you not think that would rather tend to confuse the members of the House? I feel that it would because I believe the members would want to have all the estimates for, let us say, the Trent Canal, in one place, and for the Lachine Canal, rather than have all the different canals divided up. Was it your idea that the estimates should be under separate canal items?—A. The item on which you vote in the House today, sir, is the grouped one for all canals. It does not show them separately. The details, of course, would show them separately. I prefer to continue with the same practice. I would keep the details separately, but instead of having, I think, three votes for operation, maintenance and capital, I would be inclined to bring these together and use subheads to identify them.

Q. You would have three all put into one?—A. Yes. And I would give more explanation than you have now in the printed book.

Q. Under paragraph 2 of item 2, I wonder if the estimates at the present time are correct and show the actual cost of maintenance of the department. I raise the point because, at the present time, Public Works takes the full cost of the building, maintenance of the building, telephones, and everything else of that nature. It is not shown in the departmental estimates. Do you feel that the public works estimates or cost for that separate department should be put in under that department in order to show the actual costs? Do you follow me, Mr. Sellar?—A. Two or three years ago, this committee received a recommendation from me with respect to bringing together the real costs of a department. You have an example of that in the public accounts before you. For example, the Treasury has an expenditure of \$761,000 for postage in connection with family allowance cheques. Obviously that sort of expenditure should be reflected in the cost of the department having to do with children's allowances.

The post office, in its annual report to parliament, states that the cost to the post office for carrying franked mail for government departments amounted to \$4,000,000 last year, and in addition there were other services which the post office rendered to departments, amounting to \$325,000, for which they received nothing in return.

I believe you should try to bring under each departmental heading the true costs of operating that department to a degree that is practical. I would not go to the extent of building up a bookkeeping system which went beyond its usefulness. I think it would be better to present a general rather than a particular concept. I think you would thereby accomplish your aim.

Q. With respect to receipts by different departments, for example money received by the Department of Mines and Resources, for maps which they sell; or money received by the National Film Board for rentals of film; what about those receipts? They are not shown. In the case of the film board I believe they use for their own purposes the money which comes in by way of receipts and it is not turned over to the consolidated revenue account. There might be other departments as well which follow the same practice. So, you see, we do not get a true picture. I feel that the receipts of all these departments should be shown. What are your views on that question, Mr. Sellar, and also what are your views in respect to amounts being spent by a department out of such funds?—A. I may be wrong, but I believe you are mistaken, Mr. Fraser, in regard to the National Film Board. They do have to surrender their receipts now. Possibly you were thinking of the war years, but now they have to surrender everything.

As I have already recommended to you before, it is felt that we should adopt in Canada a system which is known as Grants in Aid; that is to say where you have service performed in exchange for fees, the moneys derived from operating that service should be applied to the costs of operating that service and you would be required to turn over only the net. That is all that would be necessary.

I might cite the Board of Grain Commissioners as a good example. Instead of inflating their revenues and expenditures, they balance one against the other so that if they have a big year they might add to their staff out of revenue, but if they have a poor year, they might have to dismiss staff in order to live within their revenue.

Mr. BRADETTE: On the question of lapsings, as it would appear now from Mr. Sellar's report in relation to the years 1947 and 1948, there were unused lapsings of a little over 18 per cent. That might, to the public, appear to be extravagant. That view might be expressed for political purposes, but it would not be a true one because, even in the case of private corporations, it is impossible to reckon to the last cent or dollar. So, as in the case of private corporations, I feel it would be absolutely impossible for the government to budget right within the line. Let us suppose that instead of there being a lapsing, we found ourselves short of revenue in connection with some program. The Treasury would then find itself in the position where it could not go ahead and would have to curtail that program. Therefore, I do not foresee any possibility in the near future of avoiding lapsings. There are so many things which happen unexpectedly, such as the event which happened in Mr. Cruickshank's constituency. When such things occur, immediately you find some section of the country expecting to receive support and help.

Mr. Sellar has very properly mentioned his own department. I do not believe it would be any easier to administer his department than it would be to administer the whole government at large since it covers such a great expanse of territory. I can recall many occasions when the government was called upon to provide further estimates for things which could never have been foreseen. Therefore, I think we are striving for something we may never reach, something it would be impossible to reach. I do not believe we can ever completely avoid lapsings.

Surely it cannot be said that a lapsing of 18 per cent in connection with a budget of one billion dollars is too high. I suggest that for us to try to vote within a line more closely than that would be, I think, attempting the impossible.

Mr. Sellar has given us wonderful hope in his report, when he speaks of various items which may be consolidated, so that items brought to the House would be not less than \$100,000. That would be a marvellous way to simplify some of the discussions in the House of Commons which, while sometimes constructive, are, nevertheless, often a waste of time. In spite of the fact that criticism may be levelled at the government on account of these lapsings on the ground that the government is too extravagant, nevertheless I do not think it is possible to avoid lapsing. If lapsings occur, the government is subject to the criticism of being extravagant, and on the other hand, should there be no possibility of lapsings, and important public works had to be curtailed, then the government would again come in for criticism.

By Mr. Sinclair:

Q. Mr. Fleming asked you a question, Mr. Sellar, about lapsings and I understood you to suggest that lapsings might be an indication of cushioning. That is not so, is it? Lapsing is much more than a cushion, for the reasons given by Mr. Bradette and by Mr. Warren. And there are many other reasons as well, are there not?—A. Mr. Sinclair, you cannot deal with a government the size of the government of Canada and take an over-all average on anything.

When I refer to a lapsing of 18 per cent, I do not mean that that percentage is true for every vote and for every service. Actually, to me, lapsing is something in which a government may well take pride, as an indication that there has been economy. You will bear in mind that my background is a financial one, and that the less spent, the better I think it is. Therefore, if a government has a large lapsing, I feel it is all to its credit. But I do think it is objectionable from the viewpoint of testing the efficiency of those who make the estimates because, if there is a large lapsing, it may be considered that they must have over-estimated beyond the real need.

A few votes represent a very large part of this lapsing, you know. In the Veterans Land Act there was approximately \$37,000,000. There was \$16,000,000 in Wartime Housing, and \$37,000,000 in National Defence. Those are three services which make up a substantial portion of that \$245,000,000. If you take them out, and recalculate, you will then have a smaller percentage than 18 per cent. My purpose in making this proposal to you is in the nature of an appeal to the people who prepare the departmental estimates. They should have before them the constant fear that the House of Commons is going to have sufficient information before it to enable it to jump on them, if they are extravagant in their estimates.

Mr. Mutch: Mr. Chairman, there are certain benefits which accrue to veterans of the last war. Some of those benefits are realizable within a period of time as much as ten years. There are certain benefits which a veteran may receive at some time, provided he has not become too old, or has not become unsuitable. On the other hand those who prepare the estimates for the department have to see that the department is amply supplied with money in order to keep faith with those veterans, should a large proportion of those eligible decide to take advantage of certain benefits. Adequate funds must be on hand to provide the necessary benefits for those who qualify and apply for them. The people of Canada have a contract with those veterans. Therefore the estimates have to cover an unknown figure.

The decision rests with the beneficiaries and not with the government. There will always be, in sound budgeting, a surplus over that which is expended. The result is very much less embarrassing than to have to say to some veteran, "We cannot live up to our contract with you because we have not got the money."

By Mr. Fleming:

Q. I take it that Mr. Sellar's view today in respect of this matter is precisely the same as it was when he appeared before the committee in 1947. In other words, his 1947 recommendations are the basis for what he has said to us today.—A. Yes, sir.

Mr. FLEMING: And I take it there is nothing particularly to be added to them.

The CHAIRMAN: Gentleman, it now being 1 o'clock, the committee stands adjourned to meet again at the call of the chair.

The committee adjourned at 1 p.m. to meet again at the call of the chair.

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STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

TUESDAY, APRIL 25, 1950

THURSDAY, APRIL 27, 1950

WITNESS:

Mr. Watson Sellar, C.M.G., Auditor General

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY,
CONTROLLER OF STATIONERY
1950



STANDING COMMITTEE
ON
PUBLIC ACCOUNTS

Chairman: L. Philippe Picard, Esq.,

Vice-Chairman: D. A. Croll, Esq.

Messrs.

Anderson	Homuth
Ashbourne	Isnor
Balcer	Johnston
Beaudry	Kirk (<i>Antigonish-Guysborough</i>)
Benidickson	Langlois (<i>Gaspé</i>)
Blue	Larson
Boisvert	Macdonnell
Boivin	Major
Brisson	Maybank
Browne (<i>St. John's West</i>)	Murphy
Cauchon	Pinard
Cavers	Prudham
Cleaver	Richard (<i>Gloucester</i>)
Cloutier	Richard (<i>Ottawa East</i>)
Cruickshank	Riley
Denis	Robinson
Diefenbaker	Sinclair
Fleming	Stewart (<i>Winnipeg North</i>)
Fournier (<i>Maisonneuve-Rosemont</i>)	Thatcher
Fulford	Thomas
Fraser	Warren
Gauthier (<i>Portneuf</i>)	White (<i>Hastings-Peterborough</i>)
Hansell	Winkler
Helme	Wright

Clerk: A. L. BURGESS

ORDERS OF REFERENCE

TUESDAY, 28th February, 1950.

Ordered,—That the following Members do compose the Standing Committee on Public Accounts:—

Messrs: Anderson, Ashbourne, Balcer, Beaudry, Benidickson, Blue, Boisvert, Boivin, Brisson, Browne (*St. John's West*), Cauchon, Cavers, Cleaver, Cloutier, Croll, Cruickshank, Denis, Diefenbaker, Fleming, Fournier (*Maisonneuve-Rosemont*), Fulford, Fulton, Fraser, Gauthier (*Portneuf*), Hansell, Helme, Homuth, Isnor, Johnston, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspe*), Larson, Major, Maybank, Murphy, Picard, Pinard, Prudham, Richard (*Gloucester*), Richard (*Ottawa East*), Riley, Robinson, Sinclair, Stewart (*Winnipeg North*), Thatcher, Thomas, Warren, White (*Hastings-Peterborough*), Winkler, Wright—50.

(Quorum—15)

Ordered,—That the Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

TUESDAY, 14th March, 1950.

Ordered,—That the Public Accounts of Canada and the Report of the Auditor General for the fiscal year ended March 31, 1949, which were tabled in the House on October 31, 1949, be referred to the said Committee.

WEDNESDAY, 26th April, 1950.

Ordered,—That the said Committee be granted leave to sit while the House is sitting.

Ordered,—That the said Committee be empowered to print from day to day such papers and evidence as may be ordered by the Committee.

Ordered,—That the name of Mr. Macdonnell (*Greenwood*) be substituted for that of Mr. Fulton on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

WEDNESDAY, April 26, 1950.

The Standing Committee on Public Accounts begs leave to present the following as its

FIRST REPORT

Your Committee recommends:

1. That it be granted leave to sit while the House is sitting.
2. That it be empowered to print from day to day such papers and evidence as may be ordered by the Committee.

All of which is respectfully submitted.

L. PHILIPPE PICARD,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, April 25, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Balcer, Benidickson, Boisvert, Browne (*St. John's West*), Cauchon, Croll, Diefenbaker, Fleming, Fulford, Fraser, Gauthier (*Portneuf*), Hansell, Isnor, Major, Maybank, Murphy, Picard, Pinard, Prudham, Richard (*Gloucester*), Richard (*Ottawa East*), Riley, Stewart (*Winnipeg North*), Winkler, Wright.

On motion of Mr. Gauthier:

Resolved,—That Mr. Croll be Vice-Chairman of the Committee.

On motion of Mr. Maybank:

Resolved,—That the Committee ask leave to sit while the House is sitting.

On motion of Mr. Boisvert:

Resolved,—That the Committee recommend that it be empowered to print from day to day such papers and evidence as may be ordered by the Committee.

On motion of Mr. Croll:

Resolved,—That a sub-committee on procedure and agenda, to consist of the Chairman and members to be named by him, be appointed.

At 10.30 o'clock a.m. the Committee adjourned to the call of the Chair.

THURSDAY, April 27, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Ashbourne, Benidickson, Boisvert, Brisson, Browne (*St. John's West*), Cauchon, Cavers, Croll, Fleming, Fournier (*Maison-neuve-Rosemont*), Fulford, Fraser, Helme, Isnor, Johnston, Kirk (*Antigonish-Guysborough*), Langlois, Larson, Macdonnell, Major, Picard, Prudham, Richard (*Ottawa East*), Stewart (*Winnipeg North*), Thatcher, Warren, Winkler, Wright.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General.

The Chairman informed the Committee that the Chairman and Messrs. Benidickson, Croll, Fleming, Fraser, Isnor, Johnston, Langlois, Stewart and Winkler had been named as members of the sub-committee on agenda and procedure.

The Chairman stated that the sub-committee had decided to call Mr. Sellar as the first witness. It had been agreed that Mr. Sellar would read a brief, on which he would be questioned, and that when this had been disposed of, the Committee would proceed to consideration of the Auditor General's report for the fiscal year 1948-49.

On motion of Mr. Croll;—

Ordered,—That the Committee print from day to day such copies of its minutes of proceedings and evidence, in French and English, as may in the opinion of the Chairman, be required.

Mr. Sellar was called, read a brief regarding certain gifts of surplus war assets made by the Government of Canada, and was questioned thereon.

Mr. Sellar tabled a memorandum in amplification of his brief, copies of which were distributed to the members of the Committee, and which is printed as *Appendix A* to this day's minutes of proceedings and evidence.

Mr. Sellar also tabled a brief respecting the preparation of The Estimates, copies of which were distributed, and which is printed as *Appendix B* to this day's minutes of proceedings and evidence.

At 5.30 o'clock p.m. the Committee adjourned until Friday, April 28, at 10 o'clock, a.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

April 25, 1950

The Standing Committee on Public Accounts met this day at 10 a.m.
The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, may I call the committee to order.

First of all I wish to thank all of you for re-electing me; and I say re-electing because that has been the custom since 1945; and I wish to thank you very sincerely for the confidence which you have expressed in me.

I think the first item should be the election of a vice-chairman, not that I intend to be away too often but it is quite in order.

Mr. GAUTHIER: I move that Mr. Croll be Vice-Chairman of the Committee.
Motion agreed to.

Mr. FLEMING: I think that is a good idea, Mr. Chairman; Mr. Croll will see that this committee does not sit at the same time as the committee on old age security.

Mr. CROLL: You can make sure of that.

The CHAIRMAN: I suppose it will now be in order for me to read the order of reference from the House of Commons, Tuesday, February 28, 1950:

Resolved that the following members do compose the Standing Committee on Public Accounts. . .

—as you all know who you are I can skip the names. On the same date, the Clerk of the House reports that it was ordered that the Standing Committee on Public Accounts be empowered to examine and enquire into all such matters and things as may be referred to it by the House and to report from time to time their observations and comments thereon, with power to send for persons, papers and records. Then, on the 14th of March, there was also a report from the Clerk of the House that it was ordered that the public accounts of Canada and the report of the Auditor General for the fiscal year ending March 31st, 1949 which were tabled at the last session on October 31st, 1949, be referred to the said committee.

I might point out that of the twelve standing committees of the House this Public Accounts committee is the second to hold its first meeting. The only one that came ahead of us was External Affairs which held its first meeting on the 20th, so I think it may very well be said that we have been quite expeditious in starting our work. This committee, so far as I understand, has sat only about six times in the last twenty years, and it has been traditional that the committee would sit upon a request made by any member to the elected chairman. There is no fixed date, no definite time at which we should sit. I wish to inform the committee that I have received a letter from the member for Winnipeg, Mr. Stewart, asking for the committee to be assembled. Unfortunately I had to be away on account of illness, but I answered Mr. Stewart and informed him that a meeting of the committee would be called in the week of April 25th. That is a principle which applies; the committee meets when a request is received from one of its members that a meeting should be held.

Mr. FLEMING: May I just point out for the record that a request was made in the House by the leader of the opposition that the committee should be called to sit.

The CHAIRMAN: That may be so but the practice has always been that the committee was called to sit at the request of a member addressed to the chairman of the committee. I know that on a number of occasions members in the House have asked that the committee sit, and in particular I recall one day when Mr. Homuth said in the House that a meeting of the committee should be called, and on that same day he made the request to me, as chairman, by letter, and a meeting of the committee was called. I can assure you, gentlemen, that if any request by a member had been made that the committee be called into session, notwithstanding the fact that I was away through illness, I would have arranged for someone to take charge until I came back.

Now, there are a number of routine motions which I think should be dealt with. The first one is the usual motion asking leave to sit while the House is sitting.

Mr. MAYBANK: I move that the Committee ask leave to sit while the House is sitting.

Motion agreed to.

Now, the next motion is another usual one: that the committee recommend that it be empowered to print from day to day such number of copies of evidence as may be ordered by the committee.

Mr. BOISVERT: I move that the Committee recommend that it be empowered to print from day to day such papers and evidence as may be ordered by the Committee.

Motion agreed to.

It has also been customary to appoint a steering committee so as to avoid any conflict in the order of business and procedure in the work of the committee. It has been the custom to appoint a steering committee, and usually also the chairman and the vice-chairman would act on that committee. I think it might be in order if I were to suggest that there should be a representative of each of the major parties in the House on the steering committee, and to that end I would be glad if someone in the respective parties would let me know whom they would like to have represent them on the steering committee; and then, of course, we will supplement their nominees by an appropriate number of members representing the government party. I would therefore ask the respective parties to let me have the names of the member they may care to designate to act for them on the steering committee. As soon as these selections have been made I will be in a position to go ahead and name the steering committee and it will be in a position to go ahead and plan the work of the general committee.

Mr. FLEMING: May I suggest that we leave the actual appointment of the members of the committee to the chairman after all parties have been invited to make nominations and, that there be no decision made at the moment on the number. There may be some decision made later but I suggest that at present we do not do so.

The CHAIRMAN: We cannot have a steering committee that would be as large as the full committee—it would have no purpose. It may be limited experience, but my experience in the past tells me that a small committee always works better than a large one does.

Mr. FRASER: How many were on the steering committee before?

The CHAIRMAN: Last time one of the minority parties was not included, if I remember correctly. There was one liberal, one conservative, one from another group, Mr. Matthews, and the chairman and vice-chairman. My suggestion now is that the committee be composed of seven members—a member from each of the three minority groups and four others.

Mr. BOISVERT: Including the chairman and the vice-chairman?

PUBLIC ACCOUNTS

The CHAIRMAN: I do not know whether it should include the chairman because the chairman has no voting power unless there is an equality of votes. I think the chairman should be outside of the four I have in mind.

Anyway, as Mr. Fleming has suggested, we will wait for nominations from the parties.

Mr. CROLL: The resolution is:

That a subcommittee on procedure and agenda, to consist of the chairman and other members to be named by him be appointed.

I will make that motion, Mr. Chairman and we can get on with the business.

Mr. DIEFENBAKER: I second that motion.

Mr. BROWNE: Do you give the number of members?

Mr. CROLL: No, no.

The CHAIRMAN: It is proposed that we should leave the number open.

Mr. ISNOR: There are quite a number of members sitting down here, Mr. Chairman, and we would like to know what is going on. Would you be good enough to address your remarks in this direction?

The CHAIRMAN: I beg your pardon?

Mr. ISNOR: There are quite a number of members sitting down here who would like to know what is happening. Would you be good enough to address us as well as one or two of your colleagues up there?

The CHAIRMAN: The same thing applies to you, Mr. Isnor. When you speak you do not seem to be addressing me. It is not my fault if the construction of this room is such that accountics are bad.

Mr. ISNOR: My remarks are directed to the chair.

The CHAIRMAN: I will try to address that door over there, so that I will be speaking towards the centre. The matter was brought out last year of the difficulty of being heard and of hearing the various members. It is not our fault; the room is just bad.

If we went to room 497 we would find it smaller and more intimate. However, you will be more cramped—you will not each have a place at the table as you do here. If anyone wishes to have the meeting in a smaller room I am quite in agreement.

To revert to business: the motion has been adopted—that a subcommittee on procedure and agenda, to consist of the chairman and other members to be named by him be appointed.

I think we will leave it to the steering committee to decide the time and the place of the next meeting and the order of the agenda. Is that agreed?

Agreed.

The meeting adjourned to meet again at the call of the chair.

MINUTES OF EVIDENCE

House of Commons,
April 27, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. P. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we now have a quorum.

I wish first to report that following the directions that were given to me by the committee I have asked the following gentlemen to be members of the steering committee: Mr. Benidickson, Mr. Croll, Mr. Fleming, Mr. Isnor, Mr. Johnson, Mr. Langlois, Mr. Macdonnell, Mr. Stewart and Mr. Winkler, to assist the Chairman.

Now, the steering committee met yesterday at 2:15 and all the members were present. It was agreed that a meeting of the main committee be called for today. It was also agreed that the first business would be taking up for consideration the auditor general's report for the fiscal year 1948/49, and then Mr. Sellar be asked first to come before us and to present whatever brief he might feel advisable to submit; and in connection with that, it was agreed that we would not interrupt Mr. Sellar while he was reading his submission but afterwards we would limit our questions to the brief itself, and that then he would go ahead and submit the other material which he wants to place before the committee, and that when he had concluded his submissions the material would be open for discussion. Consideration of the report of the auditor general itself would be the next order of business. Following that Mr. Stewart suggested that at the conclusion of Mr. Sellar's examination the committee review the accounts of the Department of National Defence as set forth in the public accounts for the fiscal year 1948/49. Mr. Isnor suggested that the superintendent of insurance of the Department of Finance and the director of the annuities branch of the Department of Labour be examined by the committee as to the facilities of their branches. The subcommittee recommended that for the present we would limit ourselves to a study of the report of the auditor general and subsequently that a further meeting of the steering committee would be held to decide as to the matters that will be taken up. The subcommittee also recommended that we hold as many meetings as possible this week and the early part of next week so as to accommodate the auditor general who might be called to his duties at the United Nations where he is one of the auditors of their accounts.

Mr. MACDONNELL: Might I ask you a question, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. MACDONNELL: I notice from the brief which the auditor general has submitted to the committee that there are some specialized questions. I gathered from what you have just said that it was the intention of the committee to consider the report of the auditor general, and I was wondering if you were going to do that, or whether you were going to consider something along the lines of what is set out in this memorandum which has been placed before us. I just wanted to be sure whether he is going to deal with the matter at large and not just give consideration to certain details.

The CHAIRMAN: It was considered by the steering committee that the auditor general should have an opportunity of submitting the material which he

has prepared in brief form, and after those items have been disposed of that he would deal with his official report as it appears following the public accounts in the blue book.

Before calling Mr. Sellar I am reminded by the clerk of the committee that we have authority to print such minutes of evidence as may be required, leaving the quantity open to the discretion of the chair. What is your pleasure with regard to that?

Mr. CROLL: I would move that the committee print from day to day such number of copies of its minutes of proceedings and evidence as in the opinion of the chairman may be proper.

Mr. FRASER: I have much pleasure in seconding that motion.

The CHAIRMAN: It is moved by Mr. Croll, seconded by Mr. Fraser, that the matter of the number of copies to be printed be left with the chair. Is that agreeable?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Now, Mr. Sellar.

Mr. Watson Sellar, Auditor General, called:

The WITNESS: Mr. Chairman, we are now dealing with the accounts for the year 1949 which ended on the 31st of March of that year.

Mr. Macdonnell has made reference to the fact that the submission handed to you today is on a special topic. Therefore, before I read the memorandum may I explain a little about the audit of last year. A general audit was made of the vouchers and receipts and such things to test their accuracy and so on. It was a test audit because we cannot examine everything, it would cost far more than it would be worth to you; but we carried that out thoroughly and I was quite satisfied with the outcome. The accounts of Canada in my opinion are well kept. Then, in connection with the audit, each of these supervisors was sent instructions to watch in particular for the authority; that is to say the authority for the transaction by the department, and the observation of the law; because it is no mystery to any of us that during the war years the audit office as well as the departments were functioning under exceptional circumstances; we were operating under the War Appropriations Act which was very broad and the War Measures Act which was equally broad, and we knew that there was authority there without any searching for it. This past year we paid particular attention to the general authority relied on for all expenditures, and for all revenues. I might add that we are very pleased at the gradual and steady return back to the ordinary practice; everything is moving along in that way quite satisfactorily. We have not got back to the ideal yet but things are going that way. Now, this submission which I have handed to you, was founded on that point. It is not divulged in our report for this reason: all of its aspects were not appreciated by me until as an auditor of the United Nations Palestine Refugees Relief I observed certain contributions of fish which have been made by the government of Canada which were never consumed by the Arabs, or never issued to the Arabs.

Mr. BROWNE: What happened to that fish, Mr. Sellar?

The CHAIRMAN: Now, Mr. Browne, do you mind?

Mr. BROWNE: Pardon me, Mr. Chairman.

The WITNESS: And being an auditor of the United Nations International Children's Emergency Fund I also saw prices and the invoices for certain payments in connection with flour carriage and the transport of canned fish to the

Mediterranean. Linking those two together I found where fish issued by Canada had been exchanged by the refugee organization with the children's emergency organization for a low-grade flour, which is an issue item to the Arabs; so that it then struck me that perhaps our fisheries board when making such issues, with the approval of the government, was not aware that their donation might in effect come into competition with the wheat growers of Canada in a very remote manner but in theory it could be; and so there was the question of principle involved. Therefore, when I returned to Canada in the fall I studied such precedents as I could and noticed the changes that had taken place in the American practice as regards distribution or surplus commodities and decided that if I were given the honour and opportunity of appearing before this committee I should bring it to your notice. Now, that is the background why I now present to you this memorandum rather than having it put in as a part of my report. It is a question of principle. I am not at all concerned over the goodwill, but I thought I should draw attention to the question of principle involved.

Shall I read the memorandum, sir?

The CHAIRMAN: Certainly.

The WITNESS:

1. In 1921 the United Kingdom Public Accounts Committee reviewed the making of substantial gifts of war stores to Australia and Canada and of clothing and food to people in eastern Europe. There was, and still is, a statute dating from the reign of Queen Anne which prohibits any gift of public property without prior consent of parliament. A question was whether changed relationships between parliament and the Crown had made this statute obsolete. The committee decided that modern application might be that the Crown could make small gifts, but any having a value of £10,000 or more should be made only after parliamentary approval. However, the matter was again reviewed in 1922 and an extract from the report of the Public Accounts Committee is:

On inquiry we find that the greatest constitutional authorities have laid it down that gifts of national property cannot be made without the approval of parliament. We are therefore doubtful whether, even in suggesting a limit of £10,000 last year, we did not go further than the constitution allows.

No general legislation resulted, but it was arranged that: (a) particulars of all gifts would be given annually to the House of Commons, (b) Treasury consent would be necessary before any substantial donation was made by a department, and (c) the Treasury would be the authority held answerable by the Public Accounts Committee. The reason the committee reviewed the situation is that stores and public property being the equivalent of money, parliament, in order to maintain control of the public purse, must be in a position to make certain that appropriations are not indirectly made without its knowledge and consent.

2. Since the war the government of Canada has made gifts of surplus war assets, the Surplus War Assets Act permitting the government to deal in them "either gratuitously or for a consideration". The reason attention is now drawn to the question of power to make gifts is because, in the financial year 1948-49, donations having a cost value in excess of \$1,500,000 were made of agricultural and fisheries products which had been acquired through the operation of prices support boards.

3. The Agricultural and Fisheries Prices Support Boards are bodies corporate, but the statutes declare that all property acquired or held by them "shall be vested in His Majesty in right of Canada". Buying operation are

financed by means of advances from consolidated revenue fund. In the case of the Agricultural Board, the maximum of advances is \$200 millions, while that of the Fisheries Board is \$25 millions.

4. Each board enjoys a power "to sell or otherwise dispose" of any product purchased. One construction which may be given to the words is that the boards have a blank cheque authorization to dispose of as they see fit. On the other hand, it may be that the true intent is that, while such a board may decide that, to attain an administrative objective, inventories should be reduced by giving food products away, the selection of beneficiaries is regulated by such restrictions as the Crown may be subject to. It is for this reason that particulars of the donations are now given.

5. Due to warfare between Jews and Arabs, over 700,000 persons became refugees. The United Nations decided to create a special account and invited all nations to make voluntary contributions. The moneys thus collected are used to feed the refugees. In the annual report of the Agricultural Prices Support Board is to be found the following:

In order to support the market and at the same time assist in filling a genuine food need it was decided to donate a quantity of beans to Palestine relief and \$200,000 was allocated for this purpose. The purchase was made at a price which would return \$3.75 to the growers, which was the initial price laid down in their marketing scheme under the Farm Products Control Act of Ontario.

6. To support the Canadian market, the Fisheries Support Board took delivery of 151,000 cases of canned herring, mackerel and cod. Its report states:

The disposal of the canned fish presented a serious problem. Constant contact was maintained with international and domestic relief agencies throughout the purchase period in an effort to consummate sales at prescribed or reduced prices. Such outlets as cat and dog food and soup manufacturers were thoroughly canvassed and an offer was made to suppliers and exporters generally to resell the fish at prescribed prices for approved export shipment.

Only 3,036 cases were sold to commercial exporters, but a further 7,479 cases were sold at a 15 per cent loss to the International Children's Emergency Fund. Of the remainder, a gift of 95,657 cases was made for Palestine refugees' relief. Actually, none of the fish was distributed to refugees. The receiving authority exchanged it for flour because fish was not a ration item. The remaining 44,800 cases were donated to 114 public and charitable institutions in Canada.

7. The Agricultural Prices Support Board's report also chronicles:

The end of the fiscal year 1947-48 found the board in possession of a considerable quantity of processed apples which had been acquired under the support program for the Nova Scotia apple crop of 1947. They could not be sold in Canada except at prices which would have spoiled the market for producers in other provinces, and foreign buyers could be found for only part of the supply. Distribution of a portion of the stocks was therefore made to the Department of Veterans Affairs and other government services and to institutions such as hospitals; the receiver paid the cost of distribution only. The remaining stock consisting of some 187,000 cases of apple sauce, was given the the British Ministry of Food, which paid the cost of inland and ocean transportation to the United Kingdom.

The actual distribution was: British Ministry of Food, 187,063 cases; 307 Canadian hospitals, 96,783 cases; and government departments, 26,247 cases.

8. It may be noted that:

- (a) no appropriation was made by parliament to provide for a contribution to the special account of United Nations for Palestine refugees' relief;
- (b) Parliament has fixed \$1,250 millions as the maximum of financial assistance which the government of Canada may extend to the government of the United Kingdom;
- (c) the government of Canada is not the authority over public and private hospitals and charitable institutions;
- (d) the gift of 26,247 cases of apple products to government institutions was, in fact, a supplement to the votes for their operation;
- (e) none of the commodities involved were of perishable nature.

9. The statute enacted in 1702 during the reign of Anne was regarded in Attorney General of Canada v. Higbie et all 1945, S.C.R. 385 as applicable in principle to governments in Canada; but the legal position is not the consideration which prompts this submission. My view is that no one will willingly subscribe to a rule that, by reason of a technical quibble, food products should be allowed to go to waste. Attention is drawn to the matter because, until a formula is enunciated to regulate practices, parliamentary control over the public purse is impaired.

The CHAIRMAN: Do you care to make any further comments or are you open for questions?

The WITNESS: Well now, gentlemen, with regard to this particular one that I have here, I have given a lot of thought to it and I put down my thoughts here in a little memo which I will read if you wish. I do not know, strictly speaking, that I would say it is good law, but I think it is good common sense; I don't go beyond that. Generally speaking, my view is that, both of these boards have a responsibility to the producer, they are set up to maintain prices and to work out a fair trend from wartime to peacetime, a fair relationship between prices for agricultural and fisheries products and those of other industries. Therefore, essentially, their responsibility and duty is to the producer. Now, it occurs to me that so far as the distribution to Canadian hospitals is concerned—I might say that these goods were distributed to all hospitals—so far as fish products were concerned, and the agricultural commodities, chiefly apple juice and apple sauce, they were distributed in all the provinces other than British Columbia—at that time Newfoundland was not a province of Canada. What makes me worried about that is this: if these hospitals needed these products they should be buyers in the market and in that way create a better market in that field. On the other hand, if products were distributed to them to take care of indigent patients and so on it was a relief measure, and if this precedent were allowed to stand the government of Canada might find itself in the relief business from an agricultural sense through the prices support boards. That has been my main reason for calling the attention of the committee to it. I do not think it has been abused, but from the standpoint of a precedent I thought it was something that should be brought to your attention. So far as the export to the United Kingdom is concerned—and the lots of goods sent overseas for relief—it seems to me that a gift of this nature involves a matter of policy in which parliament is interested and that there should be an appropriation which could be used for that purpose. Generally speaking, it seems to me that parliament has an interest there. So far as donations to the Department of Veterans Affairs are concerned, or to the R.C.M.P. or the naval dockyards, the Indian Affairs Department and so on, each of these departments come to parliament and ask for money that they

consider they will require to finance themselves for a year. Having been granted that money I think that if they were to get fish or apple products they should pay cash to the Prices Support Board for them because it is an indirect way of supplementing their appropriations. What I have to say is summed up essentially in paragraph 7 on page 2 of the material I have submitted:

There does not seem to be justification for a Prices Support account bearing the cost of a transfer of commodities to the use of a department of government. Section 9 vests in the boards a power to purchase as agent for departments, and parliament annually appropriates what is recommended by the Crown as the amount necessary to finance the cost of departmental services. The departments should pay for all commodities thus acquired by them.

The CHAIRMAN: Before we open questions on this part of your submission may I ask you, Mr. Sellar, if you have any suggestions to make concerning that last paragraph?

The WITNESS: My suggestions would be these, if I might be permitted to read from the memorandum, sir:

8. Practice might be:

- (a) Whenever a provincial welfare need exists in Canada and a Prices Support Board holds commodities which may be applied to that need, and the products cannot currently be sold at prices within the intent of Prices Support legislation, the Governor in Council may make transfers to the Provinces on such terms and conditions as may be requisite;
- (b) No substantial donation should be made of commodities to any other authority without the sanction of Parliament. But when an appropriation permits a monetary advance or contribution to be made, the Crown may substitute, in whole or in part, commodities held by a Prices Support Board and, to establish value, the cost price may be discounted up to 25 per cent;
- (c) Particulars of all transfers to Provinces and of all gifts should be laid before the House of Commons from time to time;
- (d) Disposals to departments of government should be for value.

That is my approach to that, briefly. Do you wish this memorandum I have just summarized for you?

The CHAIRMAN: Yes, I think it would be helpful if we had that circulated to members. Are there any questions?

Mr. FLEMING: Might I ask one question there in connection with this matter of the fish which was exchanged for what was described as low-grade wheat? I would like to know if you can tell us from what country that low-grade wheat came?

The WITNESS: That is debatable, sir, as to where that wheat came from; it may have been Australia, it may have been France or it may have been grown in the eastern part of the Mediterranean countries.

Mr. FLEMING: It certainly wasn't Canada?

The WITNESS: No. There was one shipment where there was a tremendous controversy over the quality of the flour which was being issued and to which the League and Red Cross societies took strong exception; in one instance it was analyzed by three different authorities one of whom said that the flour was of a quality which might have been ground from low-grade French wheat or low-grade Canadian wheat.

Mr. FLEMING: Do you know what became of the Canadian fish used for relief purposes eventually?

The WITNESS: My belief is that it was issued to the children and expectant mothers in the Balkan countries by the International Childrens Emergency Fund. The distribution is quite heavy in those areas and I believe they consumed that fish.

Mr. ISNOR: Mr. Chairman, when I read this report I realized of course that we had a very experienced witness before us in the person of Mr. Sellar and that his comments would be very helpful to the committee, and I wondered just what he had in mind in presenting to us a report of this kind. I can tell him quite frankly that I was rather amazed at this type of report coming from him instead of a general constructive report based on his duties as auditor of the public accounts, because he always gives us something on which to carry on our inquiry with respect to the different departments. I was interested to learn about the fish and the apples, because we in Nova Scotia are particularly interested in both of those commodities, and I recall the very favourable comment that was made by producers with respect to the action which had been taken in disposing of these fish and apple products. I noticed when I read paragraph 4 on page 3, in respect to apple products being given to governmental institutions, Mr. Sellar states that it was in effect a supplement to the votes for the operations of the department or branches concerned and I wondered just how he arrived at that. With regard to the disposition made of the apple products to hospitals and institutions, I would have thought that it would have been satisfactory for them to give the patients more of that type of fruit instead of the oranges which we have to import at a considerable cost.

Mr. MACDONNELL: That is not what he meant.

Mr. ISNOR: I think Mr. Sellar knows very well what he means. I was wondering whether there was to be a different practice set up. I would have considered it a practical saving in the operation of those institutions when they used apples from Nova Scotia in the place of oranges from California. Perhaps you would enlighten me on that particular angle as to whether there was a saving in respect to the institutions and whether you audited their accounts to determine whether such a saving was effected?

The CHAIRMAN: If I may be permitted to interrupt, I think Mr. Sellar expressed the thought, just before you rose, that it was not so much what happened that concerned him but the principle involved.

Mr. ISNOR: I quite understand it.

The WITNESS: I could clear the matter up with Mr. Isnor by saying that the problem of a supplementary appropriation is this: any deficiency, or any loss in a year in the case of either of those two boards is, by the Act, to be appropriated for by parliament; so you will be asked for a vote in connection with the Fisheries Support Board to the amount of \$538,000 for this deficiency, and in the case of the Agricultural Prices Support Board in the amount of \$3,474,000.

But if, let us say, the Veterans Affairs department had paid cash to the Agricultural Prices Support Board for that apple juice, then the amount you would have to appropriate to make good the deficiency would have been less. It is a matter of bookkeeping.

Mr. FRASER: But the balance in favour of the veterans affairs would have been higher?

By Mr. Isnor:

Q. It is reasonable to say that their expenditures for fruit and fish out of their appropriations would be lessened to the extent of those two commodities?—A. That would not support the principle. The principle was that this was not going to come in competition with their ordinary buying. This would be supplementary.

Q. But is it not reasonable?—A. Oh, I think it is reasonable. But suppose they were just running close to the margin of their vote.

Q. But any savings they would have would be returned to the Consolidated Fund?—A. Oh, yes.

Q. So unless you are in a position to say there was no saving, that is hardly justified—adding to their appropriation. That is my point.

Mr. JOHNSTON: Can you say that the Prices Support Board would be running close to their margin while the Veterans Affairs department would not be depleting theirs to the same extent, and therefore the Prices Support Board would be accused of something for which they were not to blame?

Mr. FLEMING: Before we get too far away from Mr. Isnor's question, I think that the memorandum we have before us is a very useful one and I am sure there will be a number of questions in regard to it. I agree with Mr. Isnor that it was not quite the way I understood, when the Steering Committee met yesterday, that Mr. Sellar would begin his instruction to the committee—because that is what it amounts to—I thought we would have something rather more general and basic, something of the nature of the memorandum which Mr. Sellar laid before the committee two years ago in relation to the whole basis of preparation of estimates and review of public accounts.

The CHAIRMAN: If I may be permitted to interrupt, I am the one who spoke to Mr. Sellar immediately after, and I left him entirely free. I told him the committee wanted to hear him, and if he had any preference as to the material with which he should start, then he was entirely free to choose whatever material he wanted.

When we met yesterday we agreed that Mr. Sellar should come to us and present his brief. We had no instructions to give him as to which of the different items he should bring up first. So I left him entirely free. He told me he would bring up three memoranda and I said I thought it would be agreeable to the committee.

Mr. FLEMING: I appreciate, Mr. Chairman, that it was on pretty short notice. But may I ask Mr. Sellar if he is in a position to bring to the committee at its next meeting, or at a later meeting, some of his views of a more basic nature with reference to public accounts and the preparation of estimates and so on. I mean the sort of thing he put before the committee in 1947 and recently before the Senate? I think that would provide a basis on which to build our hearings in this committee from this point forward at this session.

The CHAIRMAN: That would be the next order of business which Mr. Sellar agreed to take up.

Mr. MACDONNELL: I think you did explain that.

The CHAIRMAN: Yes, before you arrived. I explained that the next order of business chosen by Mr. Sellar would be his views on estimates. We have just received the document so it was just before you arrived.

Mr. FLEMING: I am sorry, but I was detained in the House.

By Mr. Fraser:

Q. With respect to this fish which was exchanged for flour, have you any idea how much was exchanged and what the value of it would be in dollars?—A. The particular transaction which I have before me in connection with the Arabs amounted to \$315,000 and I understand there was a further shipment after that.

Q. You say it amounted to \$315,000 and that it was sold at a loss of 15 per cent?—A. No. The 15 per cent does not enter into that at all.

Q. That was all exchanged for flour?—A. Yes.

Q. And you say there was a further amount after that?—A. There was a further shipment.

Q. And how much was it?—A. I do not know.

Mr. BROWNE: I have the particulars here, if you would like to read them, Mr. Sellar.

By Mr. Fraser:

I wondered how much flour we exchanged for our fish?—A. I do not know, sir, as to the quantity.

Q. At least it was to the amount of \$315,000?—A. Those poor devils over there have a food budget of a value of about \$2 a month. It is a pretty skimpy ration.

Q. Yes, it would be skimpy. I wondered just how much it was.

By Mr. Boisvert:

Q. May I ask Mr. Sellar if this country made similar gifts after the first world war? Does Mr. Sellar know if such gifts were made?—A. I do not know because I was not here.

Q. You do not know. I asked the question because I remember that some of the provinces made gifts following the first world war, gifts to the old country?—A. And at the outbreak of world war II.

Q. What would have been the practice.

By Mr. Macdonnell:

Q. It occurs to me to ask one question in connection with Mr. Sellar's suggestion in paragraph 8 of his memorandum which has just been circulated. He seems to indicate quite different treatment for what he described as a provincial welfare need on the one hand and for disposal to a department of government. In the first case he says: "Disposals to departments of government should be for value." But in paragraph (a), he says: "Whenever a provincial welfare need exists..."

The transfer should be made on such terms as may be requisite. Are you leaving it wide open there to make gifts if desired, and if so, why? Why the difference?—A. I may be influenced by my personal opinion, but I think that if we have got something which we cannot sell, I would rather see it consumed by Canadians than to see it sent abroad. I may be narrow-minded, but I approach the problem that way. My next thought is this: who is responsible for the relief of people who cannot buy? The provinces. Therefore I would say: turn it over to the provinces and let them administer it subject to their legislation.

Q. You say "turn it over"; do you mean to turn it over as a gift.—A. Yes, sir.

Q. But in the case of other government departments, you feel that it should be disposed of on a purely business basis, and that constitutes the difference?—A. Yes, sir. I think a government department should pay its way. They can, of course, ask these support boards to purchase for them.

Q. Well, it is not clear to me why a government department should pay its way and not a province?—A. The reason is this: when a department comes before you gentlemen in the House of Commons asking for supply, they ask for the amount that they require in a given year, and I feel they should be held to it. That is my sole reason. I would agree with Mr. Isnor that in practice his argument is absolutely sound, but I believe a department should be bound down.

By Mr. Croll:

Q. I have not attended this committee as often as I should, but would you make that representation with respect to the Post Office department?—A. I would like to see the Post Office department financed out of its revenue.

Q. Have you made that recommendation?—A. I have and to this committee, sir.

Mr. WRIGHT: In respect to this surplus production which comes under the control of the Prices Support board, Mr. Sellar suggests that it be given to the provinces for relief purposes. I think if we should do that we would get into difficulty because this is surplus production in Canada and because it is surplus production the Prices Support board has taken it over. And if the board should turn it back to the provinces, we would only be defeating the purpose of the board, which was to take that surplus out of consumption in order to hold a certain price level. There would be that difficulty in turning these products back.

Let us suppose that the board should take over 1 million boxes of apples from British Columbia, and let us suppose that they turned those apples back to the province of Saskatchewan because certain classes of people in Saskatchewan were not able to purchase apples. Immediately they did that those apples would go into competition with the ordinary sale of British Columbia apples in Saskatchewan. So I think we should first hear evidence from the Prices Support board before we come to any decision on the matter.

I would agree with Mr. Sellar in his other observation that if a government department be supplied by the Prices Support board it should pay for those supplies, otherwise you would be showing a loss in the operation of the Prices Support Act, and you would be giving credit to some other government department which itself can come to parliament to get an appropriation to cover its needs.

Mr. FRASER: I think it is much the same as the Public Works department paying for office buildings and for telephones and so on in such a way that each department does not properly show its own expenses. They do not even cover the maintenance of the buildings which they occupy, and that includes the Post Office department.

By Mr. Isnor:

Q. I think that Mr. Wright's point is well taken. And I think that Mr. Sellar is speaking from an auditor's or from a departmental standpoint undoubtedly when he says he would rather see those products used in Canada by the various departments than to see them shipped overseas.—A. That was a personal opinion rather than an official one.

Q. But I would differ with Mr. Sellar and agree with Mr. Wright that if we are going to take care of our surplus and our markets at the same time, we must carry out the intention of the boards which were set up to take care of surplus and not dispose of that surplus in our own markets. But the only other market so far as we know is that of the starving millions overseas.

Mr. JOHNSTON: I would like to say that I agree entirely with Mr. Sellar, but I think I can see the point of view of the other members. There are two angles from which to look at it.

There may be, as Mr. Wright suggested, a surplus of apples in British Columbia; and if those apples were taken over by the Prices Support board from British Columbia and given, let us say, to Saskatchewan, there might be a condition in Saskatchewan where British Columbia apples are on the open market, but the point would be that people in Saskatchewan might not be financially able to buy those apples and yet they would be in need of apples. Mr. Sellar has pointed out that there is a difference between a financial surplus and a surplus of production. I take it Mr. Sellar's point of view was, that while there is a condition in Canada—take the unemployed for example; there are about 400,000.

Mr. CROLL: No, 300,000, Charlie. Get it right.

Mr. JOHNSTON: I think the papers said last night there were over 400,000.

Mr. CROLL: As of March the 1st?

Mr. JOHNSTON: Well, we will get—

The CHAIRMAN: Order, order.

Mr. JOHNSTON: I am not arguing whether there is one over or one less, but the point is that while there is a need in Canada, my view is that that need should be met. I am not going to argue at this point how it should be met. And if it were a true surplus, then you could ship your surplus of apples or whatever it happened to be over to the other countries. And in conclusion I would concur entirely with what Mr. Sellar has said particularly from the standpoint of accountancy.

Mr. WRIGHT: I agree with what Mr. Johnston has said to the extent that we should meet our needs in Canada; but I do not think we would be doing it in a very business-like manner in doing it this way. We would be only making the problem worse and creating trouble rather than solving the problem.

The CHAIRMAN: I think the main point of the memorandum is to regularize the practice, and that it would be up to us to make a recommendation as to how this should be put in order, if we feel like it. Mr. Sellar, on page 2 of his memorandum, suggests that parliament should authorize a step of this kind and I think that is as far as he wants to go in the way of making a recommendation that might be adopted by this committee, namely, just to regularize a practice which has been going on in the past.

Mr. CROLL: What he says is that we have done the right thing but in the wrong way.

Mr. MACDONNELL: I think we should hear from the responsible authorities of the Prices Support board because as Mr. Sellar has pointed out, however our hearts may tell us, these things should be dealt with in a certain way, and we may be demoralizing our markets in doing it in the wrong way.

The CHAIRMAN: I agree with you; and if at a later date the committee wishes it we could call on these people. May we now pass on to the next order?

By Mr. Browne:

Q. I notice that paragraph 4 says: "Each board enjoys a power 'to sell or otherwise dispose'." I noticed in the papers this morning that cheese will be sold at a loss of 4 cents on the price at which the government requisitioned it.—A. That is covered by section 9 of the Act.

Mr. WRIGHT: I think that before this committee reaches any decision on this matter that the Agricultural Prices Support board should be provided with a copy of this memorandum and be given an opportunity to come here and comment.

The CHAIRMAN: We are just starting our meetings, and since Mr. Sellar has to go away on other business, we wanted to hear from him first. But this committee will be calling other witnesses before any conclusion is reached. We are just in the preliminary stage. And when I ask if we might go to the next order of business, I do not mean to suggest that we have approved any suggestion made up to now, but I am merely interested in expediting the proceedings. Now, Mr. Sellar, would you indicate which one of these you would like to take up first?

The WITNESS: Let us take up the big one.

By Mr. Isnor:

Q. Before you leave this, I would like again to ask Mr. Sellar whether he has any way of telling us if the government departments or the hospitals made a saving on their expenditures because of these gifts or donations of apples

and fish?—A. I cannot prove my statement one way or another but I can say that each of these departments concerned ended the year with a surplus in their votes, if that is the answer you want.

Mr. MACDONNELL: One might say that they got an extra ration.

Mr. FRASER: In dollars and cents how much would this amount to, do you know?

Mr. BROWNE: \$1,188.671.

The WITNESS: In the case of apples, apple sauce and apple juice, there were 96,000 cases, but I have no dollar value for them. And in the case of fish, I am sorry but I have not got the dollar value for it.

By Mr. Browne:

Q. Does it not give the dollar value at the top?—A. It does not break it down by departments.

By Mr. Fraser:

Q. You say there were 96,000 cases. Was that all distributed here in Canada?—A. I beg your pardon. To the federal government departments the figure was 26,000 cases.

Q. You say 26,000 cases?—A. Yes, sir.

Q. And the balance of the 96,000 cases?—A. The 96,000 went to hospitals and institutions, and 187,000 went to the British Ministry.

Q. I see.—A. Might I say to Mr. Wright that this morning as soon as I learned that this paper of mine had been distributed, I sent a copy of it to the Deputy Minister of Agriculture, a copy of it to the Deputy Minister of Fisheries, and a copy of it to the Deputy Minister of Finance so that they would have a chance to acquaint themselves with what it was.

By Mr. Larson:

Q. I was wondering how this problem would be related to that matter of the domestic wheat which went into the Canadian market to the amount of some 140 million bushels a couple of years ago, at a little over 77 cents, while at that time the initial payment to the farmer was \$1.25 and the board's price to Britain was \$1.55. I would like to have some information on that because wheat is talked about quite a bit out in western Canada and I was wondering if there still was not another 30 cents which should come from the Consolidated Revenue of Canada into the fund of the Wheat board.—A. I am not the auditor of the Wheat board, Mr. Larson. I am sorry, but I am not familiar with those accounts. Either the Department of Finance or the Department of Trade and Commerce should be the one to help you out.

Q. That does not come under the province of this committee at all?

The CHAIRMAN: The Public Accounts Committee is authorized to look into the reports of the Auditor-General and the public accounts, and if you have any question about the public accounts you may bring it to this committee. But it does not relate I think, directly, to the memorandum which has been given by Mr. Sellar.

Are there any questions on this first brief which has been presented by Mr. Sellar?

By Mr. Benidickson:

Q. Is there any reference at all in the public account books to the matter which Mr. Larson refers to?—A. Only by implication, sir.

Q. Then where would it appear by implication?—A. You would find that in connection with the balance sheet; the government of Canada is guaranteeing

loans by the banks to the Wheat board and you will find, if you want to get an item relating to the Wheat board, that paragraph 67 of my report deals with the payment of \$11 million to the Wheat board for reimbursing those who purchased Canadian milled flour for human consumption. Those are the only two references I can give you.

Mr. WRIGHT: I think that would come directly under the vote in the past year. In 1949 from August 1 or July 31, the new crop year, there was a price charged to the domestic trade in Canada on wheat of \$2. per bushel. But the price at which the wheat was sold by the Wheat board since August 1 has averaged, I believe, around \$1.15 to \$1.20 per bushel which would indicate that there was a subsidy from the wheat producers during this last year which would be approximately 15 to 20 cents a bushel on the domestic wheat consumption. The subsidy was much larger in the period referred to by the hon. member for Kindersley, when the price to the miller was \$1.25 and the world price for class 2 ranged as high as \$3.25 a bushel. I think there was an item on it in these matters which are before us today, from August 1 until the end of 1949, in which the Wheat board subsidy was paid.

The CHAIRMAN: If at a later date when we come to the auditor-general's report anybody wants to raise that question, that should be the time to do so.

Shall we proceed in the order recommended by the steering committee to the second memorandum brought by Mr. Sellar?

Mr. CROLL: Is this the same memorandum you presented to the Senate?

The WITNESS: No sir, not exactly. I would just like to explain it.

Mr. CROLL: Yes please.

The WITNESS: I am sorry that I have disappointed some of the members of the committee in my submissions today. I had short notice. I had one ready on my files so I had it sent up last evening. I am afraid my notes are not in very good shape. I usually put any observations by way of criticism which I may think it proper to make in my printed report. A few weeks ago the Senate decided that they wanted to enquire into estimates and they were reading up the various items from the book. The chairmen were not accustomed to seeing the estimate books, that is in the book form. They usually do not get that blue book. So I was asked if I would prepare a memorandum for them which might help them in steering their committees on to the points of interest to them, and do so in such a fashion that they might go directly to a single paragraph and use it as they saw fit along with the appendix to it. I did so. I was asked for a second one and I prepared it. Those were delivered to the chairmen and ultimately distributed to all members of the Senate. I was not called upon to do more than to lay it before the Senate committees. I was not examined on it. The result is that there were three memos which I made for the Senate and they are very untidy. They are verbose and they duplicate each other. In view of the fact that the speech from the throne this year has indicated that the Consolidated Revenue Audit Act may be revised at this present session I thought it might be of some use to some members if I were allowed to consolidate the various statements I have made to the Senate into a better reading document, and I have done that. I do not suggest for a moment, sir, that you bother reading it into the record because on previous occasions every point in the material has been read into the records of your committee. If you wish me to read it I will do so, but I do not think there is any new material; it has just been brought up to date. If you wish me to read it I will do so; otherwise I will leave it with you.

The CHAIRMAN: Might I ask you just one question. This brief represents how in your opinion the House should reform, shall I say, its present approach to a study of the estimates?

The WITNESS: Well, my approach is this, sir. We are in big business in the government of Canada today. You are being asked to appropriate \$1,400,000,000; and my thought is that you will agree with me, gentlemen, when I suggest that you haven't got the time to go minutely into everything; and there is a lot of talk and discussion, which I may say I believe in myself, that there should be an estimates committee. In 1947 this committee considered recommending that there should also be an estimates committee and combined with this committee. I think sooner or later you are going to be faced with that problem. My thought is simply this, and it is my suggestion, that if you do set up such a committee you would have in the estimates the information you require; and, further, and I regard this as more important, if we civil servants are to be allowed to appear before committees can we start log rolling for our favourite hobbies and bypass our ministers and start bartering for votes for our pet projects. That is one of the things that I think you may be up against, and for that reason I would like to see the next part of the estimates rewritten in such a way that they will be clear and precise, so that when any item is up for discussion directly with civil servants there will be no way on the part of the civil servant to get around his minister; that the vote will set out the policy of the department and the control of expenditures set by parliament, so that, once approved there cannot be any departure from declared policy. These are the main reasons for my concern over the form of the estimates, and I do not think you can now get any information whatever out of the present printed details.

The CHAIRMAN: Then I think we will take your suggestion that it is not necessary for you to read the memorandum to the committee, but in order that it may be before us in complete form I would suggest that it be printed in today's report of our proceedings as an appendix; it will be appendix "B" to today's report. May I also suggest that it will be a good thing for members to read this material very carefully so that when we meet again tomorrow morning they will be in a position to ask you questions about it. Are there any particular sections in it to which you would like to direct special attention at this time?

The WITNESS: Well, sir, the essence of my submission will be found in paragraph 10 which you will find on page 6.

Illustrations of ambiguous directions are: Vote 19 will grant \$1,342,000 for the Live Stock and Poultry production service of the Department of Agriculture. Vote 28 grants \$1,204,000 for the Department's marketing service associated with Live Stock and Live Stock Products. Where is the dividing line Parliament intends being drawn between production and marketing? Or take these Veterans Affairs votes:

531. Treatment services	\$34,389,177
532. Prosthetic services	983,450

Is the intent that, if and when Vote 532 is spent, no further patients may be accepted, or may they become a charge to Vote 531? Actually, Vote 532 is to finance the manufacture of goods required by the hospital services, just as

217. Food and Drugs	\$704,450
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is not to purchase food and drugs, but to pay the salaries and expenses incurred in administering the Food and Drugs Act.

I have given you an indication there of why I think it is very difficult to understand what is involved as to policy after the vote is granted. That is what I mean. May I say at once that that is not the fault of parliament and I am not trying to blame anyone, and I know how the departments function; I will

say frankly that when I was in the department I did the same thing. You will see from the examples I have given you that the object is to keep the text down to the fewest possible words, and it is in that I think that the weakness lies.

Mr. CROLL: Take this item 217, food and drugs—\$704,450; if you turn up the estimates you will find that the details are given there that that is for the salary of the director, his assistants and right on down through the staff, and also the various other items which are to be paid out of that vote. What is wrong with that?

The WITNESS: Well, sir, the point I am making is that as you read the item there as it appears in the Appropriations Act you would naturally think that amount of money, \$704,000, was to be spent on food and drugs.

Mr. BROWNE: Yes, you would think it would be on health services.

The WITNESS: Yes, you would think it would be to buy food and drugs, but that is not what the item is for at all. If you go to the estimates in the blue book you find the purpose for which it is intended to be used set out in detail, as you have said, and you find that it is almost entirely for salaries and supplies.

Mr. BROWNE: Exactly, and if you turn to page 176 of the blue book on estimates you find detailed there every single item which that vote is intended to cover; you have detailed there sixty-one permanent positions and one hundred and sixteen temporary assistants positions, to a total of one hundred and seventy-seven positions, ranging from the director and his assistant down through to stenographers and clerks; and then, if you go to the next page you find that it also includes items for express, telephones, printing, travelling and so on down to and including acquisition of equipment. It gives you all the details.

The WITNESS: But those details are not printed in the Act, the Appropriations Act, which we administer. In that Act the item would just read: "Food and drugs, \$704,450", and that is the difficulty in so far as control is concerned.

Mr. BROWNE: Would you not be guided in that by items 216 and 217, and on down, under health services?

The WITNESS: It would appear that way in your book. We know what it is and what it is for. My point is that the details do not appear in the Appropriations Act.

Mr. MACDONNELL: The real weakness there I take it, from what you have said, is the fact that the Appropriations Act does not carry in it the details which appear in the item in the estimates in the blue book; is not that what gives you concern?

The WITNESS: Yes, that is the weakness.

Mr. MACDONNELL: How much of the detail of that item do you think should be included in the Appropriations Act reference?

Mr. BROWNE: Well, you can get that from the estimates.

The CHAIRMAN: As Mr. Brown suggests, when we turn to the estimates we have all the details of this item. The same detail does not appear in the Appropriations Act, but we get that by referring to the blue book on the estimates, to the item concerned. When it comes to a matter of administration it is very easy to refer to the estimates themselves.

Mr. MACDONNELL: But that does not meet the point under discussion. The point is how much of that detail gets into the Appropriations Act or should go into it.

The CHAIRMAN: You mean that the shorter item in the Appropriations Act is in effect misleading because it is insufficient in detail.

The WITNESS: It presents no problems to us in our audit because we know the department and know what is intended, we know all about it; but what gives me concern is that I do not know whether you gentlemen know whether that is what you are appropriating or not, whether you are appropriating what was intended.

Mr. BROWNE: Sure.

The CHAIRMAN: Yes, because all we have to do is to refer to the related item in the estimates.

The WITNESS: Just on that point may I refer you to the item which starts at the bottom of page 7 and continues at the top of page 8. I will read it to you:

The "Details" now printed at the back of the estimates book may be evaluated by a single test: value to Members of Parliament.

In Durell's "Parliamentary Grants" is to be found:

If, as is the case, Parliament grants to the Crown a certain sum for a certain service in a given year, without any more definite appropriation in the terms of the grant, it is legally competent to the executive to expend that sum at discretion in the year upon that service. That is to say, since the parliamentary enactment deals with the vote only, the government is not legally bound to adhere to the details submitted to Parliament, provided the expenditure is restricted to 'the four corners of the vote'. Morally, however, the Government must adhere to those details as far as is consistent with the interests of the public service, since its good faith is pledged by the details given to Parliament, and the Comptroller and Auditor General would correctly bring divergencies to notice (p. 296).

Now, sir, that is what I mean, and, as I say, that permits a material departure from the details of the estimates, and that is why I thought I should bring it to your attention.

Mr. JOHNSTON: But notwithstanding that the vote No. 217 is specifically for food and drugs.

The WITNESS: Yes sir.

Mr. JOHNSTON: But the details in the estimates are made up to indicate that this is for salaries, supplies and services; but from the way it appears in the Appropriations Act one would think that it applied entirely to food and drugs; it could be taken for that.

The WITNESS: That is my understanding.

Mr. CROLL: No, no.

Mr. JOHNSTON: Well, that is what it says.

Mr. CROLL: Well, if you take that view of it, I think we are just asking for trouble; that you would just be getting off on the wrong foot.

Mr. JOHNSTON: Well, I did not say it can be taken for that; it could be.

Mr. BROWNE: Mr. Chairman, let us take that item No. 217, for convenience sake; that is food products. That is the heading of the vote. All you have to do is to turn to page 176 of the estimates and there you find the details of every item which goes to make up that vote, and there you see that the whole vote is for \$704,000 odd. And if I understand this situation correctly the government does not have to confine itself precisely to the exact figure that is here so long as it keeps within the total of \$704,000 odd; isn't that right?

The WITNESS: That is right, but my view on that is this, that it could be very simply stated in the Appropriation Act text that that vote was for the administration of the Food and Drugs Act.

Mr. CROLL: Yes, that would be the correct terminology.

The WITNESS: That is the proper designation for it, and that was the purpose of my calling attention to this, that we might clarify the language used.

Mr. LARSON: If that is put in there for the sake of brevity I do not see that there should be any particular objection to it.

Mr. STEWART: I wonder if Mr. Sellar could tell us of any recent experiences of deviations such as he fears, where they are going to spend the money in some other way than the purpose for which it was voted.

The WITNESS: I am trying to think back sir. I cannot recall anything in the year now before you. I am trying to think back over the years and I cannot pin a case in my mind. If there have been cases they have been isolated cases, if that is what you wanted.

Mr. STEWART: I take it that what you want is terminological exactitude.

The CHAIRMAN: Hear, hear.

The WITNESS: Plus this, sir, I think that the context might be a little more specific.

Mr. STEWART: That better English might be used.

The WITNESS: What I mean is this: where the vote is mainly salaries but also provides for other services it might be desirable to state in the context of your vote the maximum amount that you are going to allow for salaries. As it is now they could transfer from this subhead that you have been referring to and build up a big unit establishment beyond what might be desired.

Mr. CROLL: It is an increase in personnel that you have in mind, is it?

The WITNESS: Well, no. You see—I haven't got the number in my head but I think it is either section 10 or 12 of the Civil Service Act—anyway there is a section in the Civil Service Act under which the Civil Service Commission is empowered to make such adjustments in staff as it may decide to be necessary, subject to the approval of the governor-in-council; and the section I am referring to says that no effect shall be given unless the money to provide for the increased expenditure has been appropriated by parliament. Now then, you are asked by this vote, let us say to provide \$100,000 for salaries and \$10,000 for telephones and \$10,000 for supplies and so on. The department has its establishment of \$100,000 in salaries, and suppose the department decides that they should increase rates so that the cost for the year will be \$110,000; the Civil Service Commission recommends and the governor-in-council approves an establishment of \$110,000; then, that \$10,000 would be provided by transferring \$10,000 let us say from the printing account and they would still be within their total. Actually, the department would be submitting an estimate of salaries totalling \$100,000 while they would really be able to get away with \$110,000 under that heading, essentially without the necessary approval of parliament. Personally, I do not think it should be open to a department to increase their salary item to the extent of the example I have just given you.

Mr. CROLL: Mr. Sellar, let me put this situation to you. Suppose we have an outbreak of smallpox, a smallpox epidemic in this country, and that to deal with it adequately the department needs an addition of ten more people to its staff, would it be your idea to tie the commissioner's hands so completely that he would not be able to move, to appropriate another \$10,000 that he needs immediately—and let us assume that parliament is not sitting at the time.

The WITNESS: Make provision in your salary details for these expected increases in cost. Do it in the open rather than in the dark.

Mr. CROLL: Well, you would still be doing it in the open because the following year when you report to parliament you could say that you had been required to spend \$110,000 for salaries, and the minister could say that as a man in charge of administration he found it necessary to make that provision on the spot, and then he would vote him the additional \$10,000 in your supplementary estimates.

The WITNESS: Actually, sir, in every salary vote of every kind there is a cushion.

Mr. CROLL: Of course there is.

The WITNESS: The cushion which is perfectly legitimate is this, that during the course of the year you have so many resignations and you have so many deaths, and for one reason or another you have many little savings so that you do not completely use your \$100,000. Suppose you needed a 2 per cent increase in salaries; you would be absolutely safe in imposing that increase on your vote because it will be taken care of in that way.

Mr. CROLL: I know what you mean by the term "cushion" because I have used cushions on occasions, but I do not know how far they do it in this government. Would it amount to 10 per cent in this government?

The WITNESS: Yes.

Mr. BROWNE: Is there not provision in the Audit Act that you can make extraordinary expenditures without a special vote?

Mr. MACDONNELL: It seems to me that there must be some flexibility somewhere to meet a point of that kind.

Mr. WRIGHT: May I just give you an illustration in point. I want to ask you a question about this, Mr. Sellar; I want to ask you how you would deal with this: Take the Department of Agriculture and say that with respect to one branch they have a vote for \$1,342,000, and that in another branch they have a vote for \$1,204,000, and that in the second branch they have practically used up their appropriations but because it relates to the marketing of farm products they want to use additional staff and for that purpose they transfer from one branch, or they take on twenty-eight additional men in order to carry out that work, and that involves an additional expenditure of let us say \$30,000. Now, let us assume that the purpose of the work these additional men are going to do is to bring about uniformity in agricultural products, and that applies as much to the production as to the marketing end. Now, let us assume that to carry on that special work they transferred the necessary funds from the first branch to the second branch, would you check that, would you catch that with respect to the salary item?

The WITNESS: I would not catch that, sir. The department concerned has the responsibility. The minister is the head of his department, and within the four corners of his vote he can charge what he considers appropriate to the vote. The illustration you use seems to me would be one which would be discretionary with the minister, would it not?

Mr. WRIGHT: That is the way I understand it. I really was not asking your opinion on it but rather was using it as an illustration that there should be more latitude than there appears to be at the moment, or than you suggest, permitting the switching of personnel from one branch to another within a department, if not between departments.

The WITNESS: My answer to that, sir, is that either the votes are described wrongly, or that they should be consolidated into one vote. That is my view.

Mr. LARSON: Might I ask you this: do you find many votes in which there is a large surplus at the end of the year?

The WITNESS: Well sir, in the accounts that you have before you a total of \$186,000,000 lapsed. I think we have too many items and that there are too many little reserves in the items accumulated, whereas if you were to consolidate the number of votes you would be able to budget more closely.

Mr. CROLL: Is there any such thing as capitalizing your vote?

The WITNESS: No. Some of these are very large items. I do not want you to misunderstand me, but every year we have a large volume of lapses.

Mr. CROLL: Can you give us one?

The WITNESS: Well, there was a large lapse in connection with Veterans Land Act purchases of land, but there again I want it clearly understood that I am not trying to blame anyone. You have to bear in mind here that you are dealing with the year 1948 when construction materials were still tight and the government departments were not building more than they had to. They got the votes but they did not go ahead with as many public undertakings as they had intended and there were savings from that. But I do believe a fewer number of votes would accomplish the aim that has been suggested.

The CHAIRMAN: When the steering committee planned the work of this committee for today and tomorrow Mr. Fleming proposed that we should sit tomorrow at 10 o'clock. There are a number of us on this committee who would like to attend the sittings of the committee on External Affairs, so it was thought that if we were to sit at 10 o'clock in the morning we might go immediately to a consideration of this brief which has been circulated. Members can look it over carefully over night and make a note of any questions they want to ask Mr. Sellar. Perhaps those who have to go to the other committee might be given preference in the asking of questions, and those of us who remain can carry on after they have left. Personally I happen also to be a member of the External Affairs committee, but I can assure you that I will be here tomorrow in my capacity as chairman throughout the sitting. When we come to this brief tomorrow morning we will take it up clause by clause. I do not think it will be necessary to read it, you all have copies, and it is also being printed as an appendix to today's proceedings.

—The committee adjourned to meet again tomorrow, April 28, 1950, at 10 a.m.

APPENDIX "A"

1. The purposes of the Statutes are set out in section 9 (2) of each Act:
... The Board shall endeavour to ensure adequate and stable returns for agriculture [fisheries] by promoting orderly adjustment from war to peace conditions and shall endeavour to secure a fair relationship between the return from agriculture [fisheries] and those from other occupations.

And to attain these objectives, the Boards are given power: (a) to fix prices and to purchase at those prices; (b) to compensate producers by paying the difference between fixed and commercial prices; and (c) to sell or otherwise dispose of products acquired.

2. A presumption is that it is contemplated that the Boards will operate in distressed markets arising out of (a) gluts in production; (b) poor consumer demand; or (c) low prices. It follows that Boards will periodically have inventories which cannot be converted into money. Excessive overhanging inventories can depress prices; moreover, the taking of a quick loss by reason of a gift to reduce inventory may, in fact, reduce or remove a long term risk.

3. If it be accepted that Parliament is the authority to regulate donations of public property, the words "to sell or otherwise dispose" in the Prices Support Acts sanction donations when the effect of the gift promotes the purpose of the statutes. Conversely, it may be that no authority exists to make a gift when a consequence will be to remove the recipient, as a buyer, from the market—the object of the legislation is to assist producers, not buyers.

4. Section 3 places each Board "under the direction" of a Minister. A Board has authority to operate in the commercial market subject to such directions as the Minister may give, because it is performing the statutory function for which it was created. But when the Board is of opinion that all, or a portion, of the holdings must be given away, it seems proper to regard its status as becoming advisory, namely, to indicate the outlets which may be employed without adversely affecting the commercial market, because giving effect to such a recommendation is in the nature of a policy decision to be made by a Minister or the Cabinet, because : (a) section 6 vests all property in the Crown; and (b) the resulting loss must be covered by an appropriation for which the Crown must take the responsibility before Parliament.

5. A distribution in Canada for charitable or welfare uses may create a troublesome precedent. Section 92 of the B.N.A. Act assigns to the Provinces:

The establishment, maintenance and management of hospitals, asylums, charities, and eleemosynary institutions in and for the Province, other than marine hospitals.

Generally, welfare work is regarded as a provincial responsibility. The selected beneficiaries normally would be public and charitable institutions and public authorities. To attain the real purpose of a Prices Support Act, donations must be policed after transfer of possession, because the statutory objective is not to provide food to those who will use it but to maintain market prices. The Government of Canada may safeguard its position if it works through the Governments of the Provinces. The machinery might be to transfer title from His Majesty in right of Canada to His Majesty in right of a Province upon such terms and conditions as may be expedient. The real distribution would then be within the legislative control of the Provinces, with the purpose of Prices Support legislation safeguarded by the agreement with the Provinces.

6. When a gift is made to a national government or to an international organization, a decision of high policy is involved. It is desirable that any such donation be specifically authorized by Parliament, but a point to consider is the value to be placed on commodities which are authorized to be donated by an appropriation Act item stated in dollars. First cost may not be the real cost—there may be storage charges, etc., or offsetting profits from sales, etc. The essential is to bear in mind the real purpose: the reduction of inventories in order to maintain domestic prices. So regarded, much may be said in favour of the Crown enjoying the right, in suitable circumstances, to convert a monetary amount into quantities in a manner which serves a dual purpose.

7. There does not seem to be justification for Prices Support Account bearing the cost of a transfer of commodities to the use of a department of government. Section 9 vests in the Boards a power to purchase as agent for departments, and Parliament annually appropriates what is recommended by the Crown as the amount necessary to finance the cost of departmental services. The departments should pay for all commodities thus acquired by them.

8. Practice might be:

(a) Whenever a provincial welfare need exists in Canada and a Prices Support Board holds commodities which may be applied to that need, and the products cannot currently be sold at prices within the

intent of Prices Support legislation, the Governor in Council may make transfers to the Provinces on such terms and conditions as may be requisite;

- (b) No substantial donation should be made of commodities to any other authority without the sanction of Parliament. But when an appropriation permits a monetary advance or contribution to be made, the Crown may substitute, in whole or in part, commodities held by a Prices Support Board and, to establish value, the cost price may be discounted up to 25 per cent;
- (c) Particulars of all transfers to Provinces and of all gifts should be laid before the House of Commons from time to time;
- (d) Disposals to departments of government should be for value.

APPENDIX "B"

THE ESTIMATES

1. *Constitutional Responsibility:* Section 54 of the B.N.A. Act requires that the Crown, acting with the advice of its responsible ministers, make known to the Commons the pecuniary necessities of the government; the Commons, in return, grants such supplies as are required to satisfy these demands. Thus the Crown demands money, the Commons grant it, and the Senate assents to the grant. The Senate enjoys the same power as the House to scrutinize the items of supply requested by the Crown, but the Supply Bill must originate in the House of Commons, its special place in matters of finance being recognized by that part of the speech from the throne which is specifically addressed to the Commons:

Members of the House of Commons:

You will be asked to make provision for all essential services for the next fiscal year.

The limited time available and the broad diversity of public services permit only a scratching of the surface of the Estimates by Committee of Supply. Constitutionally, the Executive is answerable for the "purposes" and the "regularity" of the resulting expenditures, but the "value for money" seems to be a subject where responsibility may be shared, and, to be effective, the point for action is when an Estimate Item is being incorporated into a Supply Bill. There are many items which pertain to Executive policy only to a limited degree. For example, Item 167 provides \$22,000,000 for the administration of the Unemployment Insurance Act, 1940. The principle of unemployment insurance is not in issue—that was settled ten years ago. Contributions to the Fund come from three sources—employees, employers and the State. A Commission of three persons, who report "through" a Minister but are not "under" a Minister, is responsible for administration. In such circumstances, an observation made in 1928 by the Right Honourable W. L. Mackenzie King is to the point:

My hon. friend the leader of the opposition (Mr. Bennett) will recall that at the beginning of the session I discussed with him the advisability of the different parties in the house adopting some more effective method of scrutinizing the supply requested by the government, some method which would enable members to hear what the officials of the departments had to say with respect to the several items included in the estimates. I entirely agree with my hon. friend that the system at present in force, under which a minister of the crown is necessarily dependent in the House of Commons on his deputy for much of the

needed information with the deputy also of necessity, often not wholly familiar with all the details of particular branches, is most unsatisfactory. Speaking for the government I would say that we would welcome a change in the present method, a change which would not only afford fuller opportunity for discussion but which would carry with it an obligation on the part of the heads of different branches of the public service to appear before a committee of the house and explain fully the reasons which have occasioned the recommendations which find their place in the estimates submitted to the house. (Debates, p. 4048.)

2. However, in 1944 a Committee of the House of Commons (set up to review Standing Orders) advised against the creation of Estimates committees:

The suggestion that estimates should be referred to standing or select committees has been given earnest consideration and carefully reviewed. It strikes at the root of ministerial responsibility and it divests members of the privilege of criticizing from the floor of the house without advice, suggestion or influence of any kind, all departmental expenditures submitted by the government. No proposals subversive of this settled rule of action can be safely embodied in any scheme for securing closer parliamentary control. One of the objections to this proposal is that if all the estimates are referred to a standing or select committee the motion for the Speaker to leave the chair shall be abolished, which means fewer opportunities for private members to move amendments setting forth grievances or expressing want of confidence in the government. The procedure required to keep this privilege unimpaired would reduce the efficiency of the committee's functions and it would be so involved as to be misunderstood and hard to enforce. Certain estimates may be occasionally referred to a select committee in order to ascertain facts which the house desires to know, but this practice should be adopted guardedly and only in very special circumstances. Your committee does not think it would be advisable to change the present system and it believes that the elasticity of the present rules makes it possible to apply them in new situations from time to time. (Debates, p. 1239).

3. Having quoted from a speech of Mr. King in 1928, his reaction to this part of the Committee's report is now given:

We might well assume, I think, that so far as the first half of the report is concerned, if I may so designate it, hon. members should not be committed too literally to all the statements which it sets forth, or to all its observations. They are general in nature, and in voting for or against the adoption of the report, if we are expected so to do, we might well, I think, be allowed to have certain mental reservations with regard to the adoption of all that appears there. I mention that because I see, for example:

The suggestion that estimates should be referred to standing or select committees has been given earnest consideration and carefully reviewed. It strikes at the root of ministerial responsibility . . .

I cannot accept that as a correct statement. For years estimates have been referred to special committees at Westminster, and the parliament at Westminster is as careful in observing ministerial responsibility as any parliament in the world. Something may have been in the minds of the hon. members responsible for that statement which is not apparent on the face of it, but if I were to support the report as a whole, as I intend to do, I should not like it to be asserted at some future time that this House of Commons had virtually determined that the reference of estimates to select committees would be striking at the root of ministerial responsibility and

therefore should not be permitted. I had hoped very much that the committee might have found it possible to endorse the reference to a committee not of all estimates but at least of certain of them, while, of course, safeguarding the right of every hon. member to criticize the estimates in whole or in part when they came back to the house for discussion. (Debates, 1944, p. 1255).

No action was taken by the House on the Committee's report.

4. Thus there is, on the one hand, the fear of a House Committee that any change in procedure will curtail rights and privileges of the Commons; and on the other, the belief of an outstanding parliamentarian and administrator that the ramifications of the public service are now such that, to secure information on which decisions may be founded, it is in the interest of Parliament that there be direct oral examination of civil servants.

5. It has never been suggested that section 54 of the B.N.A. Act be varied and that Canada adopt United States' practice, where the appropriation Acts are written by Congressional committees. The worth of the section is recognized and its history is concisely and aptly set out in Minty's "Constitutional Laws of the British Empire".

There had been in the early history of constitutional government in Canada notorious scandals arising out of the appropriation of public funds upon resolutions brought by private members. In many cases Ministers had evaded liability for corruptly awarding out of public funds pensions and bribes to their friends by getting private members to introduce the necessary resolutions. As a consequence the Union Act of 1840 made provision for the definite expression in the written Constitution of the usage that there shall be no appropriation of public funds save upon the resolution of a responsible minister after a request has been made by the Representative of the Crown upon the advice of the minister. This provision was afterwards incorporated as section 54 in the British North America Act. (p. 131).

6. The Committee of Supply now exists as a convenience in debate. It has no present-day constitutional or legal significance. Its origin was once traced in a Westminster report in these words:

The Committee of the whole House on Supply has the name, but has none of the methods, of a Committee. It was established in the days of recurring conflict between Parliament and the Crown as a device to secure freedom of discussion on matters of finance. The debates in the House itself were recorded in the Journal, which was sometimes sent for and examined by the King; and they were conducted in the presence of the Speaker, who in those days was often the nominee and regarded as the representative of the Sovereign. By going into Committee under the chairmanship of a member freely selected, the House of Commons secured a greater degree of privacy and independence.

7. *Practice at Westminster:* The ineffectiveness of review (to establish real maxima) by a committee of the whole House is admitted. A change to smaller committees would, in fact, be no more than an extension of a practice introduced in Canada almost fifty years ago when Sir Charles Fitzpatrick, then minister of justice, brought his departmental accountant onto the floor to permit immediate replies being given to questions posed during debate of his estimates. What the 1944 Committee on Standing Orders apparently feared was curtailment of opportunities to air grievances and to make proposals. Therefore, the experience at Westminster is of interest, because the present

situation in Canada presented itself long ago in England. In 1902, Standing Order No. 14 was adopted. It allots 20 days (which may be increased to 23), being days before the 5th August, for the consideration of Estimates. On each of the 20 days, Estimates are the first order of the day. The items to be discussed are selected by Opposition Members—sometimes by lot—and according to May, the debate “concentrates upon the policy and activities” of the Ministers and officials whose salaries are provided by the Estimates. When August 5th comes, all votes are approved without further debate. Commenting on the results, May (14th ed., p. 288) states:

By using a traditional form of proceeding in a novel way the practice of the House has secured that an appreciable portion of government time shall be used in reality for the purpose of criticizing the Government on subjects chosen by the Opposition, while in form it is used for determining the precise amount of every item of national expenditure.

8. It might be added that in England ancillary safeguards are:

- (a) In order to focus attention, the number of Estimates' items is kept below 200—in Canada the number often approximates 600.
- (b) A Public Accounts Committee annually reviews all receipts and expenditures and reports thereon. The Committee consists of 15 members. A member of the Opposition, as a rule a person who was a member of a former Ministry, is chairman. The Committee meets in private, but its reports and evidence taken are printed and tabled. Time is set aside for considering the reports by the House and the Treasury is required to make written replies to all observations of the Committee.
- (c) In 1891, by the Public Accounts and Charges Act, it was provided that various classes of receipts (other than taxes) be applied directly to appropriations which financed the services producing the receipts. In other words, an appropriation is now for the deficiency between cost and income. Commenting on the practical utility of this scheme, Durell's “Parliamentary Grants” states:

This system of appropriating receipts in one way tends to increase economy, for it is to the interests of the departments to see that they realize all their receipts, since any shortage will have to be made good by either reducing expenditure proportionately or by applying to Parliament to make good the deficiency. (p. 41)

- (d) In 1912 a decision was taken to set up a standing committee on Estimates. The problem was to devise a reference which would give the committee a field of activity and yet not interfere with ministerial responsibility. The line of thought was that the Committee should report after the Estimates for the year were approved—and thus the value of the Committee's work would be, (i) to inform Parliamentarians, and (ii) to accomplish positive results in subsequent Estimates. The Committee has, throughout its history, been hampered by lack of technical assistance, although a Treasury officer is now assigned to the Committee. In 1946, the Select Committee, on Procedure (Third Report) recommended that a single Select Committee, to be called the Public Expenditure Committee, combine the functions of the Public Accounts and Estimates committees. Effect has not yet been given to this recommendation.

9. It is unlikely that this country will adopt English practice of placing the department equivalent to the British Treasury in extra-statutory status of superiority over all other departments—that is the source of the influence of

the English Public Accounts Committee. In Canada, ministerial association with the public is more direct and the man-in-the-street holds Parliamentarians more directly answerable for administration. English experience is that parliament can protect its constitutional rights and privileges and at the same time change practices respecting the grant of Supply, but the risk will be present that the public service bureaucracy may (if committees are used) be placed in position to by-pass the Ministers. The demands made on the time of Ministers and the dimensions of the public service are now such that few Ministers can have an all-embracing familiarity with the services under them. They must delegate responsibilities and thus become dependent on others for information. Ministers can and do control decisions of policy, but application is delegated and it is the dead-weight of administrative cost that is of concern when Estimates are under review. For example, in the present Estimates, provision for salaries and wages of public employees exceeds \$300,000,000. It will be the salaried expert, not the Minister, who will be in direct contact with the committee, therefore the form or text of items should be such that the expert is not in position to barter.

10. Texts of Items: For such reasons, it is suggested that a first step is to require that texts of votes be more explicit than they now are, because:

The supplies are granted to the Crown for the public service by the Legislature, but the expenditure is left to the discretion of the Executive, which decides on the propriety of every transaction requiring the payment of public moneys, and the only limitation imposed upon the Executive by the constitution is that the disposition of the moneys must be in accordance with the votes. The Executive is not bound to spend the moneys voted by the Legislative Assembly and granted by the Legislature, but every expenditure of such moneys must be made on its authority. The Legislative Assembly, which votes the supplies, has, it is true, a control over the expenditures, which is exercised through the committee on public accounts, but that control is restricted to enquiring if the moneys granted have been spent in accordance with the votes, and it does not encroach on the functions and authority of the Executive. (Wurtelle J., speaking for the Quebec Court of Appeal in *R. v. Waterous Engine Works* (1894) Q.R. 3 Q.B. 223.)

Illustrations of ambiguous directions are: Vote 19 will grant \$1,342,000 for the Live Stock and Poultry production service of the Department of Agriculture. Vote 28 grants \$1,204,000 for the Department's marketing service associated with Live Stock and Live Stock Products. Where is the dividing line Parliament intends being drawn between production and marketing? Or take these Veterans Affairs votes:

531. Treatment services	\$34,389,177
532. Prosthetic services	983,450

Is the intent that, if and when Vote 532 is spent, no further patients may be accepted, or may they become a charge to Vote 531? Actually, Vote 532 is to finance the manufacture of goods required by the hospital services, just as

217. Food and Drugs	\$704,450
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is not to purchase food and drugs, but to pay the salaries and expenses incurred in administering the Food and Drugs Act.

11. It is generally accepted that texts of Estimates' items should satisfy four tests:

- (a) disclose clearly the principal objects and purposes to which the money will be applied;

- (b) control and regulate the charges to the vote;
- (c) result in an accounting of expenditures charged to the vote which clearly discloses to Parliament whether application has conformed to the text of the Estimate; and
- (d) be so phrased as to permit efficient application.

Confusion and loss of control can result from having the same object of expenditure under different headings. For example, the following items provide for administration in the Department of Public Works:

288. Departmental Administration	\$ 350,605
289. (Architectural) Branch Administration	437,290
313. (Engineering) Branch Administration	352,885
315. (Dredging) General Superintendence	16,635
	<hr/>
	\$1,157,415

They indicate, in a general way, the purpose, but they do not provide a control over charges because the word "administration" describes intent but does not prescribe boundaries. Parliament would exercise a continuing control and administrative application would be simplified were the four items made into a single item reading:

General administration of the Department of Public Works, provided charges not to exceed \$987,980 for paylist charges, \$80,000 for printing, stationery and photographic and office appliances and supplies, nor \$32,000 for travel expenses

\$1,157,415

and thus bring about the following consequences:

- (a) save time by consolidating 4 votes into one;
- (b) focus attention on the real items of proposed costs;
- (c) impose a ceiling on amounts which may be spent for such things as salaries;
- (d) permit elasticity in departmental use; and
- (e) reduce the risk of supplementaries being required.

12. *The Number of Items:* There is an ancillary reason for this proposal. Everyone has read from time to time in the press that the House of Commons voted Supply as quickly as the Chairman could call items. Those familiar with Parliament understand the situation, but the general public does not, and it may be that the prestige of Parliament suffers. The Main Estimates now before Parliament consist of 564 items—a much larger number than is the practice throughout the Commonwealth. They will appropriate \$1,403,022,068. For such reasons, attention is drawn to the distribution:

No.	Total Amount
Items up to \$2,000	19 \$ 15,081
" from \$2,001 to \$10,000	42 285,497
" " \$10,001 to \$50,000	74 2,118,574
" " \$50,001 to \$250,000	152 19,648,007
" " \$250,001 to \$1,000,000	135 72,251,419
" " \$1,000,001 to \$5,000,000	106 253,000,755
" over \$5,000,000	36 1,055,702,735
	<hr/>
	564 \$1,403,022,068

From the foregoing it will be noted that approximately 50 per cent of the total number of votes represents less than 2 per cent of the total to be granted by the Appropriation Act. A consolidation would facilitate debate without lessening fiscal control.

13. Printed "Details" of Estimates: Details printed in the Estimates have no legal significance because the legal sub-dividing of votes is effected by applying section 26(2) of the Consolidated Revenue and Audit Act, 1931:

The deputy head or other officer charged with the administration of a grant authorized by Parliament shall prepare and submit to the Comptroller in such form and at such time as the Treasury Board directs a classification of the expenditures provided for under such grant and such classification when so established shall not be varied or amended except with the approval of the Treasury Board.

The "Details" now printed at the back of the Estimates' book may be evaluated by a single test: value to Members of Parliament. In Durell's "Parliamentary Grants" is to be found:

If, as is the case, Parliament grants to the Crown a certain sum for a certain service in a given year, without any more definite appropriation in the terms of the grant, it is legally competent to the executive to expend that sum at discretion in the year upon that service. That is to say, since the parliamentary enactment deals with the vote only, the government is not legally bound to adhere to the details submitted to Parliament, provided the expenditure is restricted to 'the four corners of the vote'. Morally, however, the Government must adhere to those details as far as is consistent with the interests of the public service, since its good faith is pledged by the details given to Parliament, and the Comptroller and Auditor General would correctly bring divergencies to notice. (p. 296).

My opinion is that the present "Details" are of little utility in achieving the purpose of the last sentence. Instead of an accounting classification of positions and certain categories of expenses, the Details should give, in narrative form, a bird's-eye view of the operations of the service to be financed out of the vote. To illustrate, the Audit Office vote will be used because of my familiarity with it. Instead of the statistical "Details" now printed on page 99, I would substitute a text along the following lines:

Salaries and Expenses of the Audit Office

Appropriation 1948-49	\$ 533,293	Expenditures	\$ 517,592
" 1949-50	550,081	Expenditures to	
		Dec. 31, 1949	417,511

Estimate for 1950-51 578,762

Activities: The statutory duties with respect to the accounts of Canada are set out in Part V of the Consolidated Revenue and Audit Act, 1931.

The audit of accounts of the Foreign Exchange Control Board and of the Custodian of Enemy Property will be performed as a cost to this vote.

The Auditor General is the auditor of: Atomic Energy Control Board, Canadian Arsenals Limited, Canadian Broadcasting Corporation, Canadian Commercial Corporation, Canadian Overseas Telecommunications Corporation, Canadian Patents and Development Limited, Canadian Sugar Stabilization Corporation Limited, Commodity Prices Stabilization Corporation Limited, Crown Assets Disposal Corporation, Eastern Rockies Forest Conservation Board, Eldorado Mining and Refining (1944) Limited, Export Credits Insurance Corporation, Federal District Commission, Fraser Valley Dyking Board, National Battlefields Commission, National Harbours Board, Northern Transportation Company (1947) Limited, Northwest Territories Power Commission, Park Steamship Company Limited, and Polymer Corporation Limited. It is not the practice to charge corporate bodies of the Crown for audit services, therefore expense incurred in performing these audits will be a cost to this vote.

The Audit Office performs, for the benefit of the auditors of the Bank of Canada, certain audit services in connection with the Public Debt Services. The cost incurred will be a charge to this vote, but the amount recovered from the Bank of Canada (estimated at \$8,500) will be deposited to Revenue.

By resolution of the General Assembly of the United Nations, the Auditor General of Canada is a member of the United Nations Board of Auditors until June 30, 1953. Practice is that examinations of certain accounts are made by Audit Office staff, the United Nations reimbursing the full cost (including salaries). Out-of-pocket disbursements for travel, etc., will be refunded to the vote, but reimbursements for salaries will be credited to Revenue. No extra staff are or will be employed because of this special work.

The corporate accounts of the R.C.A.F. Benevolent Fund are annually certified by the Auditor General. This body is wholly independent of the Government and the R.C.A.F., but no charge is made for the audit service because of the purpose of the corporation.

No new undertaking of monetary significance is being provided for in the Estimate.

Salaries: All salaries, other than the \$15,000 salary of the Auditor General (which is a statutory charge, sec. 39 of the Consolidated Revenue and Audit Act, 1931) will be charged to this vote. All appointments are made under the authority of the Civil Service Act. The senior appointment by the Civil Service Commission is that of Assistant Auditor General, who will receive \$8,000. Provision is made for 176 positions; as of the date of submission, staff was composed of 128 permanents and 42 temporaries. For 1949-50, salary and wages costs may total \$496,000; for 1950-51 the amount requested is \$523,018. The added sum is to provide for normal statutory increases (\$6,500) and \$21,000 for additions to the staff establishment.

Travelling Expenses: It is estimated that \$35,000 will be required. The Office has sub-offices in Montreal, Regina and Vancouver, but examinations are necessary at other places, particularly with respect to accounts of corporate instrumentalities, Post Office, National Defence, National Revenue, and Unemployment Insurance Commission.

Printing, Stationery and Office Equipment: It is estimated that these costs may total \$18,194. Of that amount, \$13,000 will be spent for film, etc., in connection with the work of maintaining a permanent record of categories of redeemed Receiver-General cheques. By section 28 of the Consolidated Revenue and Audit Act, 1931, the Deputy Minister of Finance transfers, from time to time, redeemed cheques to the Audit Office for safekeeping. The same section permits Treasury Board to make regulations for ultimate destruction. Over 20 million cheques may be received in the year and perhaps 15 per cent of these may be filmed in accordance with the provisions of section 29A, which was added to the Canada Evidence Act by c. 19, Statutes 1942-43.

14. The illustration just used is for an administrative vote. The text for an operating service would, of course, be different. For example, Item 468 (Department of Transport) reads:

468. Marine Service Steamers, including Icebreakers—Maintenance, operation and repairs, \$3,603,070.

The details printed (pp. 290-1) distribute the cost for positions and then read:

Total salaries and wages	\$ 1,422,951
Overtime	40,935
Allowances	277,150
Travelling expenses	3,910
Telephones, telegrams and postage	2,480
Printing, stationery and office equipment	1,045
Fuel	795,775
Materials and supplies	273,650
Repairs and upkeep of equipment	656,696
Express, freight and cartage	2,650
Aerial Ice Survey—contract	13,000
Rentals	65,000
Sundries	47,828
	<hr/>
	\$ 3,603,070

Based on past experience, over \$50,000 each will be spent in operating 16 steamers of the fleet. In addition, there are several small boats. It is suggested that it would be more informative were the details to give the expected cost with respect to each of the steamers, distributed by navigation districts, etc. In other words, a distribution of costs such as is now given on page Z-22 of the Public Accounts.

15. Works Provisions in Details: The construction and maintenance of Public works are matters of concern to all members of Parliament, both from the monetary and local viewpoints. Section 9 of the Public Works Act vests in that department the over-all management, charge and direction of all public works (including the supplying of furniture and fittings). Then section 10 removes from the Department of Public Works which are by any Act of Parliament "placed under the control and management of any other minister or department". An Appropriation Act is presumably an "Act" within the intent of the section. A question therefore is the effect of providing for the construction of works which are to be financed by votes for departments other than Public Works. For example, there is the provision in Item 261 (National Revenue, Customs and Excise Divisions) for "buildings and rentals for temporary purposes". No amount is stated in the vote, but \$532,000 is listed in the Details (p. 197). A further variation for example, is that employed in connection with Agriculture items 5 to 10, and 11, 12, 14, 15, 17 and 19, where no reference to construction is made in the text but Details' breakdowns collectively provide around \$3,200,000 for the "acquisitions or construction of buildings and works". If note is taken of the details to Item 303 for Public Works, it will be observed that provision is also being made in that Item for \$500,000 to be expended on "Experimental Farms and Science Laboratories—Replacements, repairs and improvements to buildings". Attention is also drawn to External Affairs' detail to Item 66 (p. 114) which list:

To build or purchase premises for offices or residences for missions abroad and to furnish and equip premises and other capital expenditures, \$165,000.

With this, Item 67 is associated. It reads:

To authorize the use during the fiscal year 1950-51 in payment for the acquisition, improvement or furnishing of properties for Canadian Government offices and residences in foreign countries of inconvertible foreign currencies from deposits of such currencies which may be used only for governmental or other limited purposes in these countries and which have been received by the Government of Canada from other governments in settlement of claims arising out of military operations or war expenditures, \$1.

As Details do not form part of the Appropriation Act, a question is whether listing in "Details" brings into effect section 10 of the Public Works Act. It also presents the query whether works projects solely for the benefit of a particular department or service should be listed under the department concerned in order to portray the true cost of the department.

16. A more general objection which may be taken to works votes is that the printed material does not disclose either the reasons which make them necessary or the probable ultimate cost. As a rule, the first vote for a large job will be for a small sum—enough to permit some plans to be prepared and, perhaps, to negotiate for the site, etc. Consequently, over several years Parliament may vote several millions of dollars. Cannot much be said in favour of information being given, at the outset, which will permit Parliament to judge whether a project costing x millions should be approved or if one costing less will adequately serve the public need?

17. *Votes Texts that Legislate:* A matter of particular constitution concern is the practice of legislating by means of items in the Appropriation Act. That is, by phrasing the text of an item, Parliament enacts in a manner to exempt from or override existing legislation, or, in effect, to add to statute law. An example is Item 67 (quoted in paragraph 15 above). The \$1 is inserted in order that Committee of Supply has an amount on which to recommend adoption of a resolution but the real money to be employed consists of bank balances in various countries. Ordinarily, those moneys would be subject to appropriation as are all other balances in Consolidated Revenue Fund. The effect of this Item will be to vest in the Crown a right to use the balances, as He sees fit, in procuring and furnishing buildings and residences for diplomatic purposes.

18. More generally, the votes now of concern merely make exceptions from the Civil Service Act. Appropriations lapse on March 31st, but the Act itself does not expire. Consequently, a text may be so framed that a continuing enactment results. An example is Vote 352 of the main Appropriation Act for 1941. That vote authorizes an annual motor car allowance to be paid to Minister, the Speakers and the Leader of the Official Opposition in the House of Commons. Payments are made every year by relying on the text of the 1931 vote. Consequently, in the Estimates the amounts are listed as "s", which means authorized by statute. Legislating by means of an appropriation Act is a convenience when a need is transitory. Furthermore, it avoids cluttering the statute books with expired legislation. But from the constitutional viewpoint, it is open to the objection that it is, in fact, incomplete legislation because the mode employed circumscribes deliberations by the Senate. This was pointed out thirty years ago in a report of a Special Committee of the Senate on the rights of the Senate in matters of financial legislation. The chairman was Senator W. B. Ross, and in a memorandum prepared by him and attached by the Committee to its report is to be found:

To reject a Supply Bill might in olden times have been feasible, but today, with the functions of government so vast and complicated, it is unthinkable . . . It would mean chaos. A Supply Bill should be passed as a matter of course by the Senate in almost any conceivable circumstances if it contains nothing but Supply. If other matters are inserted in the Bill or 'tacked to it' these should be struck out and be made into a separate Bill or Bills.

19. At one time the British view was that an appropriation Act could not override a statute. However, when the question came before the courts in an Australian case (*Fisher v. The Queen [1903] A.C. 158*) the Judicial Committee

of the Privy Council ruled otherwise. Consequently, in 1908 the British Public Accounts Committee abandoned its previous viewpoint, but declared that:

it is desirable in the interests of financial regularity and constitutional consistency that such a procedure should be resorted to as rarely as possible, and only to meet a temporary emergency.

and:

the fact that a proposed vote overrides an existing statute should be clearly stated on the face of the estimate, with the reasons for adopting that course, so that no doubt can exist of the deliberate intention of Parliament. The exceptional nature of the vote should also be indicated in the Appropriation Act.

20. Some such texts are repeated annually. For example, in the Supplementary Estimates there probably will be the usual item to provide for payment of the sessional indemnity to Senators and members who are absent more than the permitted number of days, by reason of absences on account of official business or sickness, or by reason of death during the session. In view of the fact that the practice has existed for over 60 years, it is submitted that it would be more appropriate to amend the Senate and House of Commons Act. As to transitory cases, it is suggested that they should be brought together in a special schedule to the estimates and be supported by adequate explanations. Of course, a vote text which deals with a matter which normally should be proceeded with by a bill should be handled as a bill.

21. *Revenue Producing Services:* Earlier in this memorandum reference was made to the British Public Accounts and Charges Act which was adopted in 1891. The causes which prompted its adoption, in my opinion, now exist in Canada. It requires only a cursory comparison of estimates of forty years ago with those of today to appreciate that the evolution into what might be described as the Public Service State has resulted in a tremendous expansion of governmental activities into categories which are commercial in nature. For that reason, it is suggested that the long-established rule that revenue may not be used until appropriated may merit review. Parliament might be in better position to evaluate the necessity of various estimate items were service income directly associated with expenditures resulting from performing the services. A ready illustration is the Post Office. Items 269-274 will appropriate \$85,662,757. Practically all of that will be applied in providing services for which the public makes payment. The result is that Post Office is generally self-supporting. For this reason, the interest of Parliament is not so much in the millions handled, but in the anticipated profit or loss. If the profit may be substantial, the charges to the public may merit review; if a deficit is forecast, the efficiency of the department is at issue. Consideration might be given to evolving a new method of financing such activities. If a practicable solution is found, it should encourage officers to make servicing activities self-supporting in order that continuance, and perhaps expansion, of the work be assured. It might also bring to light some services which departments consider important but which, when tested by public willingness to pay for, might be found to be unnecessary. The proposal is not original; as stated in para. 8, a plan has been in operation in the United Kingdom since 1891. The English plan may not be the one Canada should adopt, but their experience provides a starting point.

April 26, 1950.

WATSON SELLAR.

SESSION 1950
HOUSE OF COMMONS

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STANDING COMMITTEE
ON
PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 2

FRIDAY, APRIL 28, 1950.

WITNESS:

Mr. Watson Sellar, C.M.G., Auditor General.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.H.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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1950



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MINUTES OF PROCEEDINGS

FRIDAY, April 28, 1950.

The Standing Committee on Public Accounts met at 10 o'clock a.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Ashbourne, Boisvert, Boivin, Brisson, Browne (*St. John's West*), Diefenbaker, Fraser, Hansell, Helme, Isnor, Johnston, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspe*), Larson, Macdonnell, Major, Picard, Prudham, Riley, Stewart (*Winnipeg North*), Warren, Winkler, Wright.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General.

The Committee resumed consideration of Mr. Sellar's brief respecting the preparation of The Estimates.

Examination of Mr. Sellar was continued.

At 1 o'clock p.m., the Committee adjourned until Monday, May 1, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,
April 28, 1950.

The Standing Committee on Public Accounts met this day at 10 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, I think we now have a quorum and it would now be in order to proceed. Yesterday we had agreed that this morning we would study the brief presented by Mr. Sellar on the estimates. We are supposed to have read it, all of us, according to what was said last night. I am quite agreeable if the members insist, or if the members think it would be better to have it read by Mr. Sellar, but on the other hand, in order to expedite matters I think we should assume that it has been read and that we have agreed to take it up article by article.

I have perused this brief and I think that the first four articles deal with about the same matters and that we should assume that the question period would deal with those first four articles at one and the same time. So, for the purposes of the record, I would ask that the first four articles be included in the record before we start questioning and then we might deal possibly with them all in one group, and the same with respect to articles 5 to 9 inclusive. Then, when we come to article No. 10, the recommendations or suggestions made by Mr. Sellar, we could refer to them one by one—some of them are quite extensive—so as to limit the discussion on the point in question. But the first articles, as I have indicated, might be very well grouped so as to give more chance to the members to treat them in one and the same way.

Mr. FLEMING: Is it our intention to print all the memorandum?

The CHAIRMAN: The memorandum was put in as an appendix last night. But, for the sake of the record, if someone should pick up today's proceedings, then to save him from having to go back to the day before to get the full text before he could deal with it, I think—although it might mean double printing—it would be better to have the memorandum included in today's proceedings. Has anyone any questions to ask with respect to these first four paragraphs of the memorandum?

THE ESTIMATES

1. *Constitutional Responsibility:* Section 54 of the B.N.A. Act requires that the Crown, acting with the advice of its responsible ministers, makes known to the Commons the pecuniary necessities of the government; the Commons, in return, grants such supplies as are required to satisfy these demands. Thus the Crown demands money, the Commons grant it, and the Senate assents to the grant. The Senate enjoys the same power as the House to scrutinize the items of supply requested by the Crown, but the Supply Bill must originate in the House of Commons, its special place in matters of finance being recognized by that part of the speech from the throne which is specifically addressed to the Commons:

Members of the House of Commons:

You will be asked to make provision for all essential services for the next fiscal year.

The limited time available and the broad diversity of public services permit only a scratching of the surface of the Estimates by Committee of Supply. Constitutionally, the Executive is answerable for the "purposes" and the "regularity" of the resulting expenditures, but the "value for money" seems to be a subject where responsibility may be shared, and, to be effective, the point for action is when an Estimate Item is being incorporated into a Supply Bill. There are many items which pertain to Executive policy only to a limited degree. For example, Item 167 provides \$22,000,000 for the administration of the Unemployment Insurance Act, 1940. The principle of unemployment insurance is not in issue—that was settled ten years ago. Contributions to the Fund come from three sources—employees, employers and the State. A Commission of three persons, who report "through" a Minister but are not "under" a Minister, is responsible for administration. In such circumstances, an observation made in 1928 by the Right Honourable W. L. Mackenzie King is to the point:

My hon. friend the leader of the opposition (Mr. Bennett) will recall that at the beginning of the session I discussed with him the advisability of the different parties in the house adopting some more effective method of scrutinizing the supply requested by the government, some method which would enable members to hear what the officials of the departments had to say with respect to the several items included in the estimates. I entirely agree with my hon. friend that the system at present in force, under which a minister of the crown is necessarily dependent in the House of Commons on his deputy for much of the needed information with the deputy also of necessity, often not wholly familiar with all the details of particular branches, is most unsatisfactory. Speaking for the government I would say we would welcome a change in the present method, a change which would not only afford fuller opportunity for discussion but which would carry with it an obligation on the part of the heads of different branches of the public service to appear before a committee of the house and explain fully the reasons which have occasioned the recommendations which find their place in the estimates submitted to the house. (Debates, p. 4048.)

2. However, in 1944 a Committee of the House of Commons (set up to review Standing Orders) advised against the creation of Estimates committees:

The suggestion that estimates should be referred to standing or select committees has been given earnest consideration and carefully reviewed. It strikes at the root of ministerial responsibility and it divests members of the privilege of criticising from the floor of the house without advice, suggestion or influence of any kind, all departmental expenditures submitted by the government. No proposals subversive of this settled rule of action can be safely embodied in any scheme for securing closer parliamentary control. One of the objections to this proposal is that if all the estimates are referred to a standing or select committee the motion for the Speaker to leave the chair shall be abolished, which means fewer opportunities for private members to move amendments setting forth grievances or expressing want of confidence in the government. The procedure required to keep this privilege unimpaired would reduce the efficiency of the committee's functions and it would be so involved as to be misunderstood and hard to enforce. Certain estimates may be occasionally referred to a select committee in order to ascertain facts which the house desires to know, but this practice should be adopted guardedly and only in very special circumstances. Your committee does not think it would be advisable to change the present

system and it believes that the elasticity of the present rules makes it possible to apply them in new situations from time to time. (Debates, p. 1239.)

3. Having quoted from a speech of Mr. King in 1928, his reaction to this part of the Committee's report is now given:

We might well assume, I think, that so far as the first half of the report is concerned, if I may so designate it, hon. members should not be committed too literally to all the statements which it sets forth, or to all its observations. They are general in nature, and in voting for or against the adoption of the report, if we are expected so to do, we might well, I think, be allowed to have certain mental reservations with regard to the adoption of all that appears there. I mention that because I see, for example:

The suggestion that estimates should be referred to standing or select committees has been given earnest consideration and carefully reviewed. It strikes at the root of ministerial responsibility...

I cannot accept that as a correct statement. For years estimates have been referred to special committees at Westminster, and the parliament at Westminster is as careful in observing ministerial responsibility as any parliament in the world. Something may have been in the minds of the hon. members responsible for that statement which is not apparent on the face of it, but if I were to support the report as a whole, as I intend to do, I should not like it to be asserted at some future time that this House of Commons had virtually determined that the reference of estimates to select committees would be striking at the root of ministerial responsibility and therefore should not be permitted. I had hoped very much that the committee might have found it possible to endorse the reference to a committee not of all estimates but at least of certain of them, while, of course, safeguarding the right of every hon. member to criticize the estimates in whole or in part when they came back to the house for discussion. (Debates, 1944, p. 1255.)

No action was taken by the House on the Committee's report.

4. Thus there is, on the one hand, the fear of a House Committee that any change in procedure will curtail rights and privileges of the Commons; and on the other, the belief of an outstanding parliamentarian and administrator that the ramifications of the public service are now such that, to secure information on which decisions may be founded, it is in the interest of Parliament that there be direct oral examination of civil servants.

5. It has never been suggested that section 54 of the B.N.A. Act be varied and that Canada adopt United States' practice, where the appropriation Acts are written by Congressional committees. The worth of the section is recognized and its history is concisely and aptly set out in Minty's "Constitutional Laws of the British Empire":

There had been in the early history of constitutional government in Canada notorious scandals arising out of the appropriation of public funds upon resolutions brought by private members. In many cases Ministers had evaded liability for corruptly awarding out of public funds pensions and bribes to their friends by getting private members to introduce the necessary resolutions. As a consequence the Union Act of 1840 made provision for the definite expression in the written Constitution of the usage that there shall be no appropriation of public

funds save upon the resolution of a responsible minister, after a request has been made by the Representative of the Crown upon the advice of the minister. This provision was afterwards incorporated as section 54 in the British North America Act. (p. 131.)

6. The Committee of Supply now exists as a convenience in debate. It has no present-day constitutional or legal significance. Its origin was once traced in a Westminster report in these words:

The Committee of the whole House on Supply has the name, but has none of the methods, of a Committee. It was established in the days of recurring conflict between Parliament and the Crown as a device to secure freedom of discussion on matters of finance. The debates in the House itself were recorded in the Journal, which was sometimes sent for and examined by the King; and they were conducted in the presence of the Speaker, who in those days was often the nominee and regarded as the representative of the Sovereign. By going into Committee under the chairmanship of a member freely selected, the House of Commons secured a greater degree of privacy and independence.

7. *Practice at Westminster:* The ineffectiveness of review (to establish real maxima) by a committee of the whole House is admitted. A change to smaller committees would, in fact, be no more than an extension of a practice introduced in Canada almost fifty years ago when Sir Charles Fitzpatrick, then Minister of Justice, brought his departmental accountant onto the floor to permit immediate replies being given to questions posed during debate of his estimates. What the 1944 Committee on Standing Orders apparently feared was curtailment of opportunities to air grievances and to make proposals. Therefore, the experience at Westminster is of interest, because the present situation in Canada presented itself long ago in England. In 1902, Standing Order No. 14 was adopted. It allots 20 days (which may be increased to 23), being days before the 5th August, for the consideration of Estimates. On each of the 20 days, Estimates are the first order of the day. The items to be discussed are selected by Opposition Members—sometimes by lot—and according to May, the debate “concentrates upon the policy and activities” of the Ministers and officials whose salaries are provided by the Estimates. When August 5th comes, all votes are approved without further debate. Commenting on the results, May (14th ed., p. 288) states:

By using a traditional form of proceeding in a novel way the practice of the House has secured that an appreciable portion of government time shall be used in reality for the purpose of criticizing the Government on subjects chosen by the Opposition, while in form it is used for determining the precise amount of every item of national expenditure.

8. It might be added that in England ancillary safeguards are:

- (a) In order to focus attention, the number of Estimates' items is kept below 200—in Canada the number often approximates 600.
- (b) A Public Accounts Committee annually reviews all receipts and expenditures and reports thereon. The Committee consists of 15 members. A member of the Opposition, as a rule a person who was a member of a former Ministry, is chairman. The Committee meets in private, but its reports and evidence taken are printed and tabled. Time is set aside for considering the reports by the House and the Treasury is required to make written replies to all observations of the Committee.
- (c) In 1891, by the Public Accounts and Charges Act, it was provided that various classes of receipts (other than taxes) be applied directly to appropriations which financed the services producing the receipts. In

other words, an appropriation is now for the deficiency between cost and income. Commenting on the practical utility of this scheme, Durell's "Parliamentary Grants" states:

This system of appropriating receipts in one way tends to increase economy, for it is to the interests of the departments to see that they realise all their receipts, since any shortage will have to be made good by either reducing expenditure proportionately or by applying to Parliament to make good the deficiency. (p. 41).

- (d) In 1912 a decision was taken to set up a standing committee on Estimates. The problem was to devise a reference which would give the committee a field of activity and yet not interfere with ministerial responsibility. The line of thought was that the Committee should report after the Estimates for the year were approved—and thus the value of the Committee's work would be, (i) to inform Parliamentarians, and (ii) to accomplish positive results in subsequent Estimates. The Committee has, throughout its history, been hampered by lack of technical assistance, although a Treasury officer is now assigned to the Committee. In 1946, the Select Committee on Procedure (Third Report) recommended that a single Select Committee, to be called the Public Expenditure Committee, combine the functions of the Public Accounts and Estimates committees. Effect has not yet been given to this recommendation.

9. It is unlikely that this country will adopt English practice of placing the department equivalent to the British Treasury in extra-statutory status of superiority over all other departments—that is the source of the influence of the English Public Accounts Committee. In Canada, ministerial association with the public is more direct and the man-in-the-street holds Parliamentarians more directly answerable for administration. English experience is that Parliament can protect its constitutional rights and privileges and at the same time change practices respecting the grant of Supply, but the risk will be present that the public service bureaucracy may (if committeees are used) be placed in position to by-pass the Ministers. The demands made on the time of Ministers and the dimensions of the public service are now such that few Ministers can have an all-embracing familiarity with the services under them. They must delegate responsibilities and thus become dependent on others for information. Ministers can and do control decisions of policy, but application is delegated and it is the dead-weight of administrative cost that is of concern when Estimates are under review. For example, in the present Estimates, provision for salaries and wages of public employees exceeds \$300,000,000. It will be the salaried expert, not the Minister, who will be in direct contact with the committee, therefore the form or text of items should be such that the expert is not in position to barter.

Mr. FLEMING: Mr. Chairman, I wonder if Mr. Sellar intends to make any comment as to the highlights?

The CHAIRMAN: We asked him to do so yesterday afternoon and he pointed out a few items. That was done yesterday afternoon.

Mr. MACDONNELL: Mr. Chairman, in the first place I take it we are all perfectly clear as to the difference between our system and the American system, and that none of us want to derogate from ministerial responsibility. We recognize the difference between our system and the American system and I take it further that what we are trying to find is some means to make more practical the scrutiny of the estimates that we now give.

I am going to try to discuss this in a perfectly—for the moment at any rate—non-partisan way and I am trying to make it from the point of view of 270 private members of parliament.

At the present time the responsibility is taken under our system by the Minister of Finance and by whoever else he calls in. We have these estimates coming in, and since I have been in parliament not one dollar has ever been knocked off them and I think we may be inclined to regard our procedure in the matter as somewhat in the nature of a solemn farce. I know that is strong language to use, but I realize the force of what has been said in paragraph 2 and while I disagree with the statement that it strikes at the root of ministerial responsibility, I notice in paragraph 3 that Mr. King has also criticized it.

On the other hand, I am inclined to share the feeling that if too much is delegated to a committee, then the committee of the whole becomes practically meaningless. I feel we are very close to that stage right now. Take for example the estimates of the Department of External Affairs. They are sent off to a committee and when they come back to the House, the members realize what has been done. They realize the estimates have been discussed outside the House and presumably the discussion has been carried on by competent people, and they think: what else is there for us to do? Presumably nothing is done. I think a lot of people feel the same way.

I now go on to the latter part of the memorandum and I wonder if we cannot, as Mr. King has indicated, find some means of adapting the techniques which they have in Britain; and I would like to add one thing. I notice that in Britain they allot a certain number of days. I think we should bear that point in mind, and also the fact that in Britain they are dealing with an enormous number of subjects, and that they have closure and all kinds of things there that we do not have here. So I do not see why we need to imitate them in any detailed manner. But it does seem to me that they in Britain have put into practical effect some principles which we might well adopt.

I notice in connection with one committee in Britain which inquired into something or other of a technical nature where expenditure upon machinery was involved, apparently they as a committee went down to the factory themselves. Now, in a big country like Britain, that seems to be going very far, and I take it that all we would require is to have access to the experts. I do not think that any of us—certainly not myself—doubts that in the last analysis there must be ministerial responsibility.

On the other hand, to put forward what I think is the weak side of our position, I will be going back to Greenwood and telling them that I voted for \$10 million for technical equipment of which I knew nothing and when they ask me: what did you learn about it? I will have to say nothing, except that the minister told us it was quite all right. Surely there should be some way by which those in the House who are competent to deal with such technical matters could be informed.

I am told that ministers are afraid—and perhaps it is only natural fear—that some of their experts might hold views which they would like to present, but which are not the minister's views. I fear I have presented some very disjointed comments.

The CHAIRMAN: Is there any particular proposal which you yourself would like to put forward in connection with any particular method?

Mr. MACDONNELL: Not any particular proposal, Mr. Chairman; but I think we should try to see whether we might adopt some of the practices which they have adopted in Britain because I think we have the authority of Mr. King that they have worked out some very useful plans over there.

Mr. STEWART: I agree somewhat with what Mr. Macdonnell has said. The government of Canada today presents such a huge undertaking that a parliamentary committee cannot adequately consider each department.

As far as External Affairs are concerned, I think that we in the House ought to debate the principles underlying our foreign policy. I myself am not

a member of the External Affairs committee and I therefore depend on the External Affairs committee to investigate the administrative set-up and to see to it that no money is being wasted, and to see to it that we get full value for our dollars. But that would not preclude us as members from bringing up a matter when the estimates come back to the House.

Mr. MACDONNELL: Am I correct in my recollection that when the matter of the External Affairs committee came up in the House there was not in fact the general debate which you suggest, or, at any rate, not at any length, because the members felt that the matter was going to a committee and that they would wait until it came back from that committee.

Mr. STEWART: I would disagree with you there, Mr. Macdonnell. I think there have been two debates in the House this year: once while the speaker was in the chair, and once before the committee; so I think we have had an opportunity to express our views about the principles underlying foreign policy. But I depend on the smaller committee to do the essential spade work.

Mr. MACDONNELL: I think you are right.

Mr. STEWART: And as far as departments are concerned I find myself in the same position. I cannot see how parliament as a whole can investigate each department. I am certain savings can be made but I am wondering who, in future years during the course of parliament could possibly have every department of government investigated, take so many departments each year and send them to a committee and have that committee examine them thoroughly.

The CHAIRMAN: As to their estimates or as to their public accounts?

Mr. STEWART: I would like to have estimates but I would be content to accept public accounts. I cannot think that parliament can investigate a government department adequately. I think it has to be done in committee, and that we have to depend more and more on committees to do that. In the House we have time to deal only with the principles of bills.

The CHAIRMAN: In fact, the estimates of the Department of External Affairs are referred to the committee on External Affairs, and as Mr. Macdonnell said, I do not know of any one year when they went item by item into the estimates. The estimates were called as a group, in a lump, and members were allowed if they wanted, to ask questions. I remember on one occasion they asked the cost of new buildings for legations abroad but, as Mr. Macdonnell said, they never went item by item into the External Affairs estimates.

Mr. FLEMING: Mr. Chairman, you are quite wrong in that. Several of us here have been members of the committee of External Affairs and the practice there has been uniformly this: once the House starts referring estimates of the Department of External Affairs to the standing committee there has been a general debate on the first item in the committee of supply in the House, and then after there has been this general debate on policy only without reference to any item of expenditures at all, a motion is passed to take those particular estimates away from the committee of supply and refer them to the committee of External Affairs. In that committee there has been a systematic review both of previous expenditures and of the estimate of the expenditure for the current year item by item. That has been done in an efficient and systematic way. Then when the committee has reported to the House, the estimates are then referred back to the committee of supply. If we may take the last session as an example, the House needed to spend at that stage in committee of supply only three quarters of an hour on the estimates of that whole department, the work having been done so thoroughly in the committee of External Affairs. There is no question of the size of parliament, it is not a matter that we have so big a House but that it is impossible under present conditions to do anything like

a serious job of sifting estimates of expenditure. It is the time involved. In these smaller committees you can get to grips with the problems. Oftentimes it is just a matter of certain individuals wanting certain information that can easily be obtained in a smaller committee and that dispenses with the necessity of asking questions for information in the House and does not preclude a debate on policy in the House before or after referring the estimates to a smaller committee.

May I say a word on the larger question? I do not want to repeat what I said in the House yesterday because I was speaking hurriedly. I think we ought to start our whole approach to this question with the frank admission that the present system is utterly unsatisfactory. I do not think Mr. Macdonnell's description of it as a hollow farce is a bit too strong, if we accept the fact that parliament is supposed to be responsible for the voting of money of supply item by item. Is it not time then that we try something different, a little experimenting would not do any harm around here, and here are concrete proposals which Mr. Sellar has made, not only this year, but for some years past, after a long and broad experience, and Mr. Sellar is one official who has always laid the utmost stress on preservation of the responsibility of parliament, along with the principle of ministerial responsibility to parliament.

I think when we realize that everything that Mr. Sellar has presented by way of changes in the system springs from those principles to which he strictly adheres, I do not think we are risking anything by departure from the essentials of our parliamentary system by, at least of experimenting with the new method which he proposes and I am absolutely convinced that Mr. Sellar's recommendations both as to the method of review and in the second place as to the form of estimates should be adopted. I understand it is a two barreled approach. He wants a change in the method of review and he wants a complete reforming of the form of the estimates. On that second point, the form that Mr. Sellar proposes there is again twofold. I understand he wants some information given in the estimates—that is in the item itself, not at the back under details—because those details have no statutory effect whatever and he wants to give some essential information right with the items so that members will have some information as to the items to which that money is to be applied.

The CHAIRMAN: That would not prevent the printing of the details just the same, because if you accept the suggestions which Mr. Sellar made here it would give a much better description than is now called for under the Act. With the proposed system we will have less information than we have now, as members. It will be better for the Appropriation Act and I am all in favour of that; but if we do not print the details in the back as we do now we will have much less information than we have now. We will come to that item later on, No. 10 of his memorandum—we should take them one by one because they are all of them important. Now we should revert and deal with the preliminary angle and the approach to his recommendation. When it comes to these recommendations we will take them one by one and analyse them. If we could confine ourselves in the preliminary remarks, to the first 4 or 9 paragraphs which state the problem and have it explained and be given the different views, the approval of Mr. King of his views, or the refusal of Mr. King to accept what is suggested.

Mr. FLEMING: I will not say anything more about the form of estimates until later on. I will content myself with saying that I think that starting-off place for the present estimates is utterly outworn and unsatisfactory and the time has come to try the recommendation that has come from the very experienced and highly respected official of the Department of Finance.

The CHAIRMAN: Corroborated, you might say, by a very experienced statesman.

Mr. FLEMING: The Committee of 1934 was apparently concerned with subtracting something from the responsibilities of the members and depriving the members of the House of some right of discussion, but our own experience in the House already with the Department of External Affairs, completely disposes of that fear because there has been no limitation whatsoever on members to discuss items in the estimates of the Department of External Affairs, anybody who wanted to last session could do that. I remember a number of questions were asked by members of the House committee when those estimates were referred back to the House and referred by the House again to the committee of supply. There is nothing in this proposal that takes anything away from any member of the House. We can save a great deal of time, because a lot of information need not be on some particular points asked in the House, if the information is available in the proceedings of the committee. The debate in the House will then be on questions of principle and policy.

The CHAIRMAN: Do I understand that you suggest that what is being done for the Department of External Affairs at the moment should be done for all departments; that parliament should refer their estimates to a committee to go over these estimates item by item.

Mr. FLEMING: We have a number of standing committees in the House which correspond with departments of government. Many of those committees are not meeting; the committee on agriculture is one. I suppose most people would think that would be the most active committee, actually it is the most inactive. Would it not be a useful thing to refer the estimates of the Department of Agriculture to that committee for reviewing. I do not think you would subtract anything from the rights of members by doing so but on the other hand we will have a more thorough investigation. There could be corresponding committees set up for all our departments, and Mr. Sellar has recommended, as I understand it, a committee of estimates. Now, one committee, I think, would find it too great a task to undertake the review of the estimates in this bulky volume of estimates, that I think this job can be broken down. Where you have committees that correspond to departments of government such as the two we mentioned, and there are a number of others which have been formed, I think those committees could be used for that purpose and where there is a residue then you could have a committee of estimates appointed to review the estimates of those departments. I am not suggesting we are going to arrive all at once at the solution of this problem of a new procedure, but I think the present system is so unsatisfactory that it is time to experiment with something quite different, and I think as time goes on we will work out, in the light of experience, an infinitely better procedure.

The CHAIRMAN: In paragraph 8 it is stated that "in 1946 the select committee on procedure (third report) recommend that a single select committee to be called the public expenditure committee combine the functions of the public accounts and estimates committees. Effect has not yet been given to this recommendation".

Mr. LANGLOIS: In order to carry out Mr. Fleming's suggestion and provide ample time to these committees to scrutinize the estimates of various departments, would it not then be necessary to table the estimates at an early stage of the session as it was done this year?

Mr. FLEMING: I am glad that Mr. Langlois has raised that point, Mr. Chairman. It will be necessary to call the committees earlier. Yes, I think the two things should go hand in hand, the estimates should be tabled according to our constitutional procedure, after the adoption of the motion for an address in reply to the throne speech. Now, I have never been able to understand why it should not be possible to set the committees up then and there.

The CHAIRMAN: The committees are set up at that time because the moment the address motion is adopted there is a meeting of members to select the chair-

man of committees and prior to that while the address is being discussed, the whips get together and make up their lists and form the committees. After that, as you say, it might be made a rule that, let us say, within two weeks after the address motion is adopted the committee should start to sit. At the moment most committees sit only upon the request of members directed to the chairman of the committee. That is why agriculture has not been called lately. There is no bill that has been referred by parliament to the agricultural committee and no member has sent a request to the chairman to call that committee. This public accounts committee, as I stated on the first day, has assembled six times in twenty-one years. The practice has been that each time a member wants the committee to assemble he sends a letter to the chairman-elect and the chairman-elect is bound then to get the committee assembled. That is what I did when I received a letter from Mr. Stewart. Your suggestion is quite valuable that an agreement be reached or a system evolved whereby the committee would have to sit within a given time after the address has been adopted.

Mr. FLEMING: If that were done I do not think we would have the trouble which we have now, with far too many committees sitting. You would have to have a committee for each department, just as we have for the Department of External Affairs. Some departments would call for very little in the way of opening debate and it would then be a case of moving that the estimates before the committee of supply go to the various standing committees after there had been some debate.

The CHAIRMAN: Do you not think those debates would take quite a long time?

Mr. FLEMING: No, it is a question of arranging the work of the House. If you arranged the work of the House so that those debates could come up immediately after the throne speech is out of the way, then you could get your committees at work far earlier, and spread the work out over the year so that it is not heaped up on us as it is now in the late days of the session.

Mr. LANGLOIS: There would have to be an opening debate on each department?

Mr. FLEMING: There are departments that do not call for much opening debate. If members knew that the department was going to come up in committee and that there would be ample opportunity of going into details in that committee, then I think you would find, as in the case of external affairs, that the members would confine themselves in the opening discussion to general questions of policy and they would not be straying into questions on matters which really should be properly dealt with in committee rather than in the House.

The CHAIRMAN: Are there any more questions?

Mr. WRIGHT: Yes, but I do not know whether they come in the first three clauses here.

The CHAIRMAN: Let us say that we will lump the first nine together.

Mr. WRIGHT: One of the things included in the duties of the House is the consideration of Crown corporations and the business of Crown corporations. What do you or I know with regard to Polymer?

Mr. MACDONNELL: That is Mr. Howe's—you do not need to know that.

Mr. ISNOR: It is well run.

Mr. MACDONNELL: What?

Mr. ISNOR: It is well run.

Mr. WRIGHT: As far as members of parliament are concerned we know very little about the business being run by the government through Crown corporations.

The CHAIRMAN: I may say, with respect to Polymer, that the war expenditures committee in 1943 or 1944 had about fifteen meetings; and the members of the committee visited Polymer. Those meetings were more with respect to the financial set-up and operations of the first year, but, I agree with you, that since then we have not heard much about it.

Mr. WRIGHT: Yes. Although in 1943 we knew something about it since then we have had nothing. The same thing is true of the wheat board. The wheat board handles millions of dollars of the wheat growers' money. It was referred to the agricultural committee for a couple of years but we have not had that reference for three years. Perhaps that is the fault of individual members in not demanding that the matter be placed before that committee.

Nevertheless, it seems to me there should be some legal way of having these things referred to committees, without having an individual member calling for it. Immediately that an individual member calls a Crown corporation before a committee the implication is that he thinks there is something wrong. There need not necessarily be something wrong at all; but there should be some regular way in which these Crown corporations come before committees, and where their accounts are looked into each year—without any implication arising that there is something wrong.

Government today is in business; make no mistake about that—and it is going to stay in business.

The CHAIRMAN: You understand that these Crown corporations are reported in public accounts so that anyone who is a member of this committee can ask the committee, when it sits, to go into the Polymer Corporations' balance sheet.

Mr. WRIGHT: Yes, but there is no legal way in which it can come before some committee of the House. Your Canadian National Railways and Trans-Canada Air Lines come before the House and I think that other Crown corporations have got to be in the same position. They should automatically come before the House for consideration of their annual statement.

Mr. DIEFENBAKER: Mr. Chairman, I have said on previous occasions in the House that one of the great difficulties is the impossibility of getting detail. So loose is our system—I do not want to be repetitious—but so loose is the system with reference to passing estimates in the House that if a \$5,000,000 item were placed in the estimates, although it might have no foundation in fact, I believe that it would pass through parliament today simply because of the fact that we lack technical assistance for the examination of the accounts.

As one reads through this brief and the evidence of Mr. Sellar, the great difficulty of the situation becomes apparent. How far must parliament go in the investigation of accounts?

I do not want to appear facetious but I did pick up the Auditor General's report of 1890—and I should say that this report was picked up not intentionally but simply by chance. I went down to the library to acquaint myself with the differences between the modern reports and the earlier ones.

There are some very interesting details indicating the degree to which particulars were then given. Can you imagine a government of today giving details such as this under government contingencies: lunches for cabinet, \$149.85; refreshments for cabinet, \$69.31; tumblers— $3\frac{1}{2}$ dozen; 1 corkscrew, 17 cents; and so on—and if one goes into the Senate accounts they become even more interesting. I see: one foot bath, \$3.25; 26 perforated seats, and 18 thermometers.

Those were the details in 1890, but I doubt whether any modern government would want to have such revealing details given.

Speaking seriously, I wonder just whether Mr. Fleming's suggestion of a committee for each department would meet the situation? Parliament can never hope to go into all the details. One looks at these public accounts, but how many of the contracts—however unjustified they might be—can be investigated when only those over \$10,000 are given; and there are no details given of the larger items.

I would like to see a separate committee—not necessarily one for each department because we would have committees sitting all over the House and no one would ever attend. But we could take one single department and go into it in detail, and endeavour to understand the general set-up, and organization of it, and we might receive some appreciation from evidence of Mr. Sellar and others as to the degree to which care is being maintained in the doing of the job of the department.

The CHAIRMAN: You think it might inspire the fear of God into some other departments for some time to come?

Mr. DIEFENBAKER: Certainly today the system invites departments to expend to the limit.

Mr. MACDONNELL: Would that be a spot check of departments? One department one year and one another year?

Mr. DIEFENBAKER: Yes, and I do not think I would give them any notice—just say that this year we will take such and such. We should, I think, start on the job at the beginning of each year. In saying that, Mr. Chairman, there is no criticism of you for not having the committee set up earlier.

The CHAIRMAN: We are the second standing committee to sit; only the External Affairs Committee is ahead of us.

Mr. DIEFENBAKER: Then with regard to the primacy of the work of the committee, if we are going to investigate one department, surely we can begin at the beginning of the session.

The CHAIRMAN: After the address?

Mr. DIEFENBAKER: After the address, if that be the constitutional requirement—and devote ourselves to that department and have given to this committee the necessary technical assistance. That is something which I have advocated on behalf of the opposition for several years. It is impossible for any member of the opposition having no technical assistance to be able to discharge his responsibility as a member. Parliament, as constituted today, is derelict in its duty because of its failure to provide assistance to the individual member so that he is able to place himself in a position where he is reasonably cognizant of where he is going. If we are to discharge our duty with respect to the estimates we must go through one department.

Mention was made of Crown corporations. I think the whole question of Crown corporations should come before the committee. I will give you an example of the need for that. Mr. White mentioned the wheat board. It is difficult for me to understand why officials of the wheat board are able to place themselves in a position where they defy orders and judgments of provincial superior courts. Within the last six weeks, in the province of Saskatchewan, judgment was given by the superior court directing the wheat board to do certain things. Judgment was filed, but the answer of the wheat board was that they were set up by parliament, they were an emanation of the Crown and we had no responsibility to answer judgments of any provincial court.

Now, it is a very serious matter when a Crown corporation is placed in a position where it only obeys the law, with respect to judgments of courts, that it is willing to obey voluntarily.

I do not want to say any more but those are the two suggestions I make; first, that we take one department and do a real job on it; and secondly, that

as far as Crown corporations are concerned they should be responsible to parliament and the law to a degree that they are not.

The CHAIRMAN: In theory you have a right to examine them because their reports are in the public accounts—but you would have to find a practical method of approach.

Mr. DIEFENBAKER: Well, in 1950 when any Crown corporation says to its chairman or board that it will not obey the law or the declaration of a court of law, then you are placing Crown corporations in a position in which they should not be. It is just a carry-over from the ancient days when the king could do no wrong. If the government is going into business, if Crown corporations are to be set up, they should have no greater rights under law than any other corporations.

Mr. STEWART: Mr. Chairman, I think the suggestion which has been advanced by Mr. Diefenbaker is a very good one, and there is one observation I would like to make with respect to it. I appreciate that even under that system parliament would be left with the last word as to what was to be done with estimates, but I would suggest that rather than take one department each year and going into it in precise detail, let us say a department like agriculture, or any other departments, I do not think there will be any difficulty in the members of this committee reviewing the affairs of four or five or six departments and having them referred to them in the one year. In that way during the life of one parliament every department could be very thoroughly examined.

The CHAIRMAN: That is a good suggestion.

Mr. STEWART: And my thought would be that every department of government should be completely examined at least once during the lifetime of a parliament. I think that reviewing one department a year is not good enough. I think parliament through this committee ought to be able to do a thorough job of investigating more than one department in a year, and I think that should be an objective. I know, for instance, that they go a great deal further than that at Westminster.

The CHAIRMAN: Do you think Mr. Stewart's suggestion is a good one? Do you think that should be done entirely by the main committee, or should that work be divided up and referred to special committees, sub-committees if you like, following the practice which was established in the War Expenditures Committee here a few years ago.

Mr. FLEMING: I think the committee on estimates would probably have to make the selection. I do not think we could lay down at this time an absolutely complete blueprint system to be followed. I think it would have to be worked out in the light of experience.

The CHAIRMAN: We might have to consider what was done in Great Britain when they decided to change their system over from the old system to the new one. They used to have an estimates committee and a public accounts committee, and, as I understand it, they have now been merged into one. I understand it has not been put into practice yet, but that is the procedure they followed, of combining those two committees. It might be interesting to have the record of the discussion on that matter for the benefit of this committee.

Mr. LANGLOIS: If we were to adopt the suggestion made by Mr. Diefenbaker and just take up one department it seems to me that the selection of that department would lie with the committee itself, and notwithstanding our examination of that department the estimates of that department would still have to be considered by parliament; but the selection of the department to be investigated, or studied if you prefer, would be entirely in the hands of the committee. Am I right in that, Mr. Chairman?

The CHAIRMAN: Yes, that would not affect the right of the House to go into estimates in detail before the committee of supply. But I do not think that is what Mr. Diefenbaker had in mind, I think what Mr. Diefenbaker had in mind was that we would select one department and go into that very thoroughly.

Mr. LANGLOIS: But with the approval of the House.

The CHAIRMAN: No, the House would have nothing to do with it, you see, because the public accounts of that department, which we would be investigating, are a subject of reference by the House to this committee.

Mr. DIEFENBAKER: My reason for using one was simply this, that if one department is done we would have done one department, and if we do that in a thorough fashion it will have a salutary effect upon the other departments. Now, with reference to what Mr. Langlois has said, I do not think that we would in any way be interfering with the work of the committee of supply in the House in their examination of estimates, and anything we did would always be subject to further investigation in the House.

Mr. LANGLOIS: The choice would not lay with the committee alone?

The CHAIRMAN: Yes.

Mr. ISNOR: Mr. Chairman, I find it a little difficult to follow the points raised by Mr. Diefenbaker and the others as to the authority or functions of these committees. I do not see very much wrong with our Public Accounts committee at the present time. We have referred to us from the House the public accounts and the report of the auditor general. Now, I do not see that it is our function, as we are at present constituted, in any way to deal with or examine estimates or approve of expenditures in connection with the various departments. All we can do is direct our examination to the material which appears in the report of the auditor general, that is in the public accounts themselves. Am I right in my understanding of the situation, Mr. Chairman?

The CHAIRMAN: Yes, but what we are considering now is the setting up of an estimates committee, or making this committee both a public accounts committee and an estimates committee.

Mr. ISNOR: Now, with regard to Mr. Sellar, I agree with all here that he is a very able official, and I agree with all that has been said about his ability, and he certainly knows what he is talking about in so far as accounts are concerned; but when he comes here and lays down a complete change in policy and function in regard to public accounts or the tabling of estimates I think we are in a position—and I say this in a most respectful manner—we are in a better position to decide the matter of setting up an estimates committee in a much more intelligent and comprehensive way than is Mr. Sellar, particularly as it involves matters of policy relating to the operations of departments of government. Then, on the other matter of Crown companies, I think we can call before this committee any representative of a Crown company we may want to call to clear up any point in the operation of those companies because they are included in the public accounts which is the main reference from the House to this committee. Is that right, Mr. Chairman?

The CHAIRMAN: Yes, as far as past operations are concerned. We can go into the operations of any Crown company whose operations are of record in these public accounts.

Mr. ISNOR: So that with regard to the matter Mr. Diefenbaker was referring to, I think we are in a position to have these Crown corporations and their officers called before this committee to answer any questions we may wish to ask in connection with their operations.

Mr. MACDONNELL: But I think you will agree that we can only examine their expenditures to the extent that they are covered in public accounts?

The CHAIRMAN: That is right.

Mr. ISNOR: As chairman of the War Expenditures committee I remember how we met some of the difficulties in the work of that committee through the appointment of subcommittees. That did not mean that the main committee did not retain its full responsibility as a committee. Much very effective work was done by the subcommittees who reported to the main committee with all the details of their investigation and in that way each matter of reference was gone into very thoroughly in the preparation of the report of the main committee. But, as Mr. Macdonnell says, in view of the fact that their expenditures are of record in the public accounts referred to us we would have the right to go into the operations of any Crown company as well as any department of government and to call any of their officers to explain the functions and operations of such companies, and then we could make a report to the House as to just what was disclosed by our investigations.

The CHAIRMAN: May I ask you a question?

Mr. ISNOR: I wonder if I could finish the point I was on first.

The CHAIRMAN: It is on this point you are just discussing, if you don't mind. In connection with the type of work it has been proposed that this committee might do would you consider it desirable setting up subcommittees to this Public Accounts committee and referring to these subcommittees the matter of detailed investigations of specific departments, rather than having the time of the main committee taken up with the detailed investigation into each department.

Mr. ISNOR: Before I reply to that, Mr. Chairman, may I say that I do not like to be coupled with the term used, I think it was by Mr. Fleming and possibly also by Mr. Macdonnell and maybe Mr. Diefenbaker too, in regard to all this being a farce.

Mr. FLEMING: I was the one who used that word, Mr. Isnor.

Mr. ISNOR: Well, whatever it was, I do not think he showed very good judgment in his use of a term, I do not agree with him. I would not like to think for a moment that I was a party to any proceeding which could be described as a farce, and I know that ever since I have been a member of this committee I have been very active in the carrying out of my duties in connection with the work of the committee.

Mr. MACDONNELL: Well, Mr. Chairman, I was speaking about proceedings in the House of Commons.

Mr. FLEMING: Yes, the reference was to the procedure of having estimates reviewed in this committee and then up again before the committee of supply in the House, and the suggestion was that that was an unnecessary duplication, in effect a farce.

Mr. ISNOR: Well, it does not make it any better if you apply the term to the proceedings in the House, because when I sit there in committee of supply I would still be a party to what you describe as a farce, and I do not appreciate that use of the term.

The CHAIRMAN: Well, I think we have that point cleared up now.

Mr. ISNOR: As to the question raised by the chairman, I have a note here. I believe we could place before various subcommittees its examination of expenditures appearing in the public accounts for departments such as agriculture, railways and canals, and so on; and if we were an estimate committee we could consider items of the estimates affecting those particular departments and I think we could do it more quickly and more effectively than

would be possible in the main committee or even in the House. Whether or not that would result in further discussion when those estimates were referred back to the House is an open matter. I think, Mr. Chairman, the reference which was made to the lack of opportunity for adequate consideration of certain estimates—I have in mind particularly those of the Department of External Affairs—was because the report of that committee did not come back to the House until the closing days of the session, and at that time we had a great deal to deal with. I think that is one of our weaknesses at the present time, that a very important part of the government business in the form of supply and so on comes down too late in the session with the result that we do not have a proper opportunity of examining and discussing the items involved. Then, with regard to the work of this committee itself, I agree with the suggestion which has been made that it would be an advantage to all concerned if it could be set up and start functioning earlier in the session than apparently has been possible heretofore. Now, I want to say a word about the work of the departments being reviewed before this committee.

The CHAIRMAN: Do you mean a committee on estimates or this committee on Public Accounts?

Mr. ISNOR: Yes, this committee. When we were discussing setting up this committee to deal with estimates the assumption was, as I appreciated it, that it would be set up for the purpose of dealing with estimates, but the main idea I gathered from Mr. Sellar's submission is not that it would be set up so much to deal with estimates as with the manner in which the items are drafted, to see that the terminology is more nearly exact. I think if I had a better appreciation of their practice I could go part way with Mr. Macdonnell in his reference to the way they handle this matter in England. I have not seen very much about it but I certainly have followed the newspaper reports of the manner in which the United States deal with their estimates and I certainly am not in accord with their principle of giving advance notice of what is likely to happen. When we had the committee on War Expenditures—there are one or two here who were members of that committee and they will recall how we carried on then, investigating into the operations of all departments, Crown companies and so one, as requested by different members of the committee; and I think we could do the same here. For instance, Mr. Stewart has shown a particular interest in the Department of National Defence. That might be the No. 1 department for us to investigate. And when we have done that we could go ahead and investigate such other departments as members might desire to have looked into. Perhaps we might be able to go through two or three departments in the one session with the hope and confidence that we might be able to make some constructive recommendations as a result of those investigations. Does that answer your question, Mr. Chairman?

The CHAIRMAN: Yes. So you would not divide the committee up into subcommittees; you would have the main committee deal with the whole matter?

Mr. ISNOR: I would prefer at the moment, as I see it, to have the departments appear before the main committee.

Mr. JOHNSTON: Is it not true, Mr. Isnor, that on the War Expenditures committee we divided that committee up into a number of subcommittees? For instance, I recall that I served as a member of the subcommittee dealing with shipbuilding and aircraft, and I recall that we visited the plants, saw what they were doing, and went into great detail into their accounts right on the spot.

Mr. ISNOR: That is right, and those subcommittees reported back to the main committee where their reports were considered and incorporated into the report of the main committee.

The CHAIRMAN: I agree with what you say because, as you will recall, I was chairman of one of those subcommittees, and I know how effective the

arrangement was of splitting the main committee up into a number of subcommittees each having eight or nine members and each allocated specific references for investigation. They could go ahead and make very careful examination of the reference; they could visit plants and examine methods and accounts right on the spot; and then they could bring back their report to the main committee.

Mr. JOHNSTON: Yes, and there was practically no limit to the detail they could get by visiting the plants and examining the work being done and the books and records on the spot. I think there is much to commend itself in such an arrangement, and such a subcommittee of such a committee as we have under discussion would, in my opinion, be able to do very effective work.

Mr. ISNOR: And you will remember that those subcommittees reported back to the main committee and their reports were very thoroughly reviewed there.

The CHAIRMAN: That is to say that the main part of the work would be done by the subcommittee, and because of its size, comprising a relatively small number of members, it could do its work most effectively, and then it could report its findings back to the main committee for further discussion.

Mr. FLEMING: What has that to do with estimates? Nothing at all, as far as I know.

Mr. JOHNSTON: It has nothing to do with estimates but it has something to do with the thing we are discussing. I take it that the principle followed is almost the same as the one we are discussing now, the only difference being that instead of having the Public Accounts committee as a body do all the work it could be split up and dealt with by subcommittees, and such an arrangement would be similar to what we had in the War Expenditures committee.

Mr. FLEMING: Yes, and similar to the way it was done at Westminster.

Mr. BROWNE: Mr. Chairman, in the light of what has just been said, would it be desirable to accept that practice in peacetime?

The CHAIRMAN: Well, Mr. Browne, that is for the committee to decide when we are drafting our recommendations. I think, personally, that the work done by the subcommittees at that time was very valuable. I know that at the time when Mr. Isnor was chairman of the main committee he also served as chairman of one of these subcommittees, as I did, and I know that the work in the subcommittees was most effective. We would make our investigations, very often on the spot, we would go into very great detail and then we would bring a report back to the main committee and that would save a great deal of the time of the main committee as they would not have to go over the whole question again.

Mr. BROWNE: It seems to me that there are three things we might do. One is the suggestion here which the auditor general has put before us; to consider his observations of the way in which votes have been expended or to consider any irregularities which his audit may have disclosed, and then following that we could decide whether or not we wanted to investigate a particular department, and then we could go right through that department and examine it fully.

Mr. JOHNSTON: That would be similar to what was done in the War Expenditures committee. The subcommittees were given the right to go right into a plant and make any investigation they wanted to on the spot, and my recollection is that there were millions of dollars saved to the government which would not have been saved had the matter been left in the hands of the larger main committee who would get their material through the calling of witnesses here. I do not see why that principle cannot be applied.

Mr. BROWNE: Has the auditor general any suggestions to make?

The CHAIRMAN: I was just going to ask if there are any more questions the committee would like to ask on the sections 1 to 9 inclusive; those are the

preliminary sections which I suggested we might deal with at the one time, and that we would go on and deal with the rest one by one.

Mr. WRIGHT: Mr. Chairman, with respect to the Crown corporations, we have their financial statement here and the auditor general's report, or perhaps I should say the public accounts, and that puts us in a position where we can call these people. Do you not think that these Crown corporations are directly on a par with the Canadian National Railways? You will recall that the accounts of the Canadian National Railways were just recently before the Sessional Committee on Railways and Shipping, and that that committee goes through their operations each year. What I am getting at is this, that any member of this committee can call any Crown corporation before it, but I can see one objection to that procedure. I think that when a member asks that a certain Crown company or unit of government be called before a committee of this kind that that casts a reflection on the Crown company or department as the case may be, when as a matter of fact that inference is not justified. I think there should be some sort of an automatic procedure which would enable parliament to examine each year the financial statements of Crown companies and organizations of that kind.

Mr. ISNOR: With your permission, Mr. Chairman, I would like to answer Mr. Browne.

The CHAIRMAN: Certainly.

Mr. ISNOR: So far as I am personally concerned I believe that any Crown company or creature of the government, whether a Crown company or a department, whose expenditures are reported in the public accounts, can be called before this committee, and should be called before this committee if required; and that any officer of any such Crown company or department is available and can be called before this committee. Does that answer your question?

Mr. BROWNE: No, not quite; what I was interested in was who has the right to call them.

Mr. ISNOR: Well, Mr. Chairman, you have to start somewhere. Mr. Stewart has asked for the Department of National Defence to appear before this committee, and there is no reason why I, or you or any member of the committee should not ask to have the officials of a certain Crown company appear before this committee.

Mr. WRIGHT: The point I am getting at is this, that these Crown companies, or corporations, are handling large sums of public money, and as their operations appear in the public accounts they can be brought before this committee and examined on their financial statement and operations for the year under review; and my submission is that there should be some way by which they can appear without having to be called, without a member having to make a request for them to appear either in the House or directly before this committee.

Mr. FLEMING: You raise a very interesting point there. Members will recall, I think, about four years ago, when the question was raised about information with respect to a particular Crown corporation, that at that time the present Minister of Trade and Commerce said in the House that if anybody wanted to take the responsibility for making charges for such a review of the operations of that particular agency that he should assume responsibility for making charges, and he suggested that the practice to follow was to have the member stake his seat on his charges. Now, that is not what we want. We want to do this in a routine way; that is, without anyone appearing to point the finger of suspicion at any Crown corporation or company.

The CHAIRMAN: You do not have to ask the Minister of Trade and Commerce for permission to call any of these Crown companies before this committee; you do not have to take his words at their face value on that, and you do not

have to make any charge in order to ask for them to appear before this committee, as the Minister of Trade and Commerce said at that time. I do not say that with any disrespect toward him or anyone else. I mean that you have the right to call them before this committee, in view of the fact that the public accounts are before us and their accounts appear in that book. But the point made by some members is that they should not have to be called, that there should be some provision for them appearing automatically, and I think that is a sensible suggestion.

Mr. MACDONNELL: Is not this what you have in mind, that they should appear before this or an appropriate committee just in the same way as has been done for years and years in the case of the Canadian National Railways. It seems to me that one of the difficulties which has arisen—I want to be clear on this—is that when we come here we are limited to the four corners of the public accounts, which I take it means that we are dealing in ancient history as represented in those accounts, and it is now proposed that we also should deal with the estimates. We are here charged with the duty of recommending an additional system in regard to estimates.

The CHAIRMAN: That is not exactly correct, but that is what we have before us now in connection with our study of public accounts.

Mr. MACDONNELL: So we have two points there. If I understood Mr. Isnor correctly he was looking rather directly and more particularly to public accounts, looking at the old accounts. Am I right? Was that the point of your answer?

Mr. ISNOR: Well, in part.

Mr. MACDONNELL: It seems to me that we have had some very useful suggestions here this morning. I do not go as far as Mr. Fleming, but I do see the logic of the approach. At the same time I do feel that if we had a committee going into estimates of the several departments, I doubt if that would save very much time when those estimates went back to the House. However, Mr. Diefenbaker and Mr. Stewart between them, it seems to me, have suggested a very practical way of dealing with this matter; and I also have in mind the proposal which was before the committee, I think about two years ago, although we did not actually get down to the business of investigating estimates. It seems to me that we have material here for the steering committee; that they might consider this matter and bring a recommendation back to the main committee as to what they think should be done.

Mr. LANGLOIS: Mr. Chairman, I feel that the suggestions which have been made this morning are very useful, but I think there is a difference between the suggestion made by Mr. Wright and that made by Mr. Diefenbaker and Mr. Stewart. What Mr. Wright was talking about was that there should be some kind of an automatic procedure by which the operations of Crown companies would come before this committee rather than continue the practice as it is at present of having a private member make a request for such a company or corporation to appear before this committee. The suggestion by Mr. Stewart and Mr. Diefenbaker, as I understand, is that the committee should call respective departments before it, and that the estimates and operations of these departments should be examined in complete detail. I think some procedure of that kind would be desirable.

Mr. WRIGHT: I think you are right. What I had in mind more particularly was Crown corporations.

Mr. DIEFENBAKER: My suggestion related more particularly to the departments.

The CHAIRMAN: Well, gentlemen, it seems to me that that would be a matter to be ironed out by the steering committee. They are the ones who should consider whether one department will be called or another. Of course, the steering committee is always open to suggestions from all members of the committee as they are the ones to decide finally who is going to appear before the main committee. My thought there is that it might be open to any member of the committee to contact the steering committee and ask that such and such a department or that so and so be called before the main committee. I appreciate the point that has been made, that when a member requests that a certain Crown corporation or department be called before the committee that it suggests that there is something wrong, but where that is left with the steering committee I think any suggestion of reflection is avoided.

Mr. STEWART: On the other hand, there have been examinations of departments before this committee. I think the members would be agreeable to the suggestion you have made. If anyone wanted to have the affairs of a certain department investigated he could make that request through the steering committee. But, with regard to this suggestion of subcommittees, it would be my thought, Mr. Chairman, that we might have a subcommittee, let us say, dealing with agriculture, which would take up all matters pertaining to that department; the subcommittee on labour would deal with everything from the Department of Labour; the subcommittee on external affairs would deal with External Affairs. And I also think, Mr. Chairman, that this committee would have the right to discuss the affairs of Crown corporations.

The CHAIRMAN: There are a number of valuable suggestions here which will be referred to the steering committee when we get to that point. They may have to be dealt with separately because they relate to two different subjects.

Mr. MACDONNELL: May I ask you this, Mr. Chairman? What has been the practice with regard to the Canadian National Railways; is it not always the accounts for the current year that go before that committee?

The CHAIRMAN: Yes.

Mr. FLEMING: Their annual statement is submitted, it is laid on the table of the House and then referred to the Sessional Committee on Railways and Shipping; but that is for the calendar year whereas on most of these accounts we are working on the fiscal year, the old fiscal year, and that is why they do not get to us for months.

The CHAIRMAN: I think that we might now ask Mr. Sellar if he has any comments to make in his capacity as auditor general with respect to what we have been discussing before the committee now, which I take it covers the items from 1 to 9 in his submission.

Mr. ISNOR: Before you do that, Mr. Chairman, I would like to ask Mr. Sellar if he would be good enough to refer to page 5 of his submission where he makes this reference:

In 1946, the Select Committee on Procedure (third report) recommended that a single select committee, to be called the Public Expenditure Committee, combine the functions of the Public Accounts and Estimates committees. Effect has not yet been given to this recommendation.

I wonder if he could tell us if that committee has ever been set up or approved?

The WITNESS: The answer to your question is no. I do not think it has been set up yet. But, Mr. Chairman, may I thank you for giving me the opportunity to say something because I do want to clear up that one point. In regard to this whole matter may I say this, that it is not my place to say to the House of Commons how it can do things, how it shall organize its business. Now, with regard to this memorandum, as I told you yesterday, it had its origin in a request

from the Senate that I supply them with certain information. Please do not think for a moment that I am trying to tell you that you should organize that committee. That is higher than my level. I am merely trying to indicate to you what the position is. What I am recommending in this memorandum is the form of estimate information to be supplied to a House of Commons committee, and ways in which I think the present practice could be improved upon. It is essentially an improvement feature. I hope you will not think for a moment that I am trying to tell you that you do not know how to do your business, or that you should have an estimates committee.

Now, with respect to Crown companies to which reference has been made, Mr. Macdonnell, or it may have been Mr. Fleming, referred to the fact that the balance sheet would not be available for submission to this committee at the time it would want to sit. Well, Mr. Chairman, that is not entirely true with respect to some of the Crown companies. For example, take the National Harbours Board which I assume you would rate as a Crown company; their fiscal year ends on December 31st and their accounts have all been audited and their reports have, I believe been laid on the table of the House—I am not sure whether or not the National Harbours Board printed accounts have been laid on the table in the House but I believe they have been in manuscript form—so that if you were looking at the National Harbours Board accounts you would have them up to December 31st of last year. The same thing would apply to other corporations whose fiscal year ends with the end of the calendar year, and there are many of them. With regard to any of them operating on the calendar year, whose fiscal year ends December 31st, they would be available for submission before this committee by March. And I may tell you this, further, that I have had close contact with the directors and managers of a good many of these Crown companies or corporations, and I know that they would like to have an opportunity once in a while of coming before a committee of this kind.

Mr. DIEFENBAKER: Do you audit the accounts of the Canadian Wheat Board?

The WITNESS: No sir, I do not audit the Canadian Wheat Board. These Crown companies feel that they have a good story to tell and that they would like to tell that story. Furthermore, they feel that there is some suspicion as to the way Crown corporations are operated and they would like to clear themselves of that, to tell their little problems and to tell of their successes, and usually they feel that it would be healthier to have their story told in public. Now, I do not want to name any particular one of them as having said that to me, but collectively you can take it that that is the view of those companies which I audit, and I audit about sixteen of them. So that I do not think you would have any trouble with any of them coming here.

Mr. MACDONNELL: What Crown companies do you audit, by the way?

The WITNESS: Well, Mr. Macdonnell, if you will refer to page 8, you will see a list of them there. They include: Atomic Energy Control Board, Canadian Arsenals Limited, Canadian Broadcasting Corporation, Canadian Commercial Corporation, Canadian Overseas Telecommunications Corporation, Canadian Patents and Development Limited, Canadian Sugar Stabilization Corporation Limited, Commodity Prices Stabilization Corporation Limited, Crown Assets Disposal Corporation, Eastern Rockies Forest Conservation Board, Eldorado Mining and Refining (1944) Limited, Export Credits Insurance Corporation, Federal District Commission, Fraser Valley Dyking Board, National Battlefields Commission, National Harbours Board, Northern Transportation Company (1947) Limited, Northwest Territories Power Commission, Park Steamship Company Limited, and Polymer Corporation Limited. Those are the ones I audit.

Mr. STEWART: You audit the Canadian National Railways?

The WITNESS: No, sir.

Mr. STEWART: Who handles that? Could your staff handle it?

The WITNESS: I have sufficient confidence in my staff to say that we can tackle anything that is going. To answer your question, Mr. Stewart, parliament appoints the auditors for the C.N.R. I have no information as to how the auditors operate, but I am quite satisfied that we could handle it if we were asked to.

Mr. STEWART: Do they depend entirely on the outside audit with respect to the C.N.R., or do they depend to some extent on your investigations?

The WITNESS: No, sir.

Mr. STEWART: Or do they have an internal audit staff on the C.N.R.?

The WITNESS: They may depend on the internal audit of the railway.

Mr. FLEMING: Could you give us a statement the other way; those government emanations, agency or corporations which you do not audit?

The WITNESS: My list may not be complete; from memory, there is the Farm Loan Board—

Mr. STEWART: You could also staff the auditing of these other various corporations?

The WITNESS: Yes—I would have to verify that list, I haven't got it in my head. There is the Central Mortgage and Housing Corporation, the Canadian National Railways, the T.C.A., the Wheat Board and the Bank of Canada.

Mr. BROWNE: What about National Research?

The WITNESS: We do the National Research; that is not a Crown corporation.

Mr. DIEFENBAKER: Could you give us an answer as to why you do not audit the Canadian Wheat Board?

The WITNESS: An act was passed in 1935 which directed that the audit should be done by a firm of chartered accountants to be named by order in council. That automatically took it off my hands and we have nothing to do with it.

Mr. STEWART: So far as these Crown companies are concerned I want to ask you this—you may not care to express an opinion on it and if not that does not make any difference—do you think your department could audit the books of these companies and corporations or organizations as economically as it could be done by outside auditors?

The WITNESS: First of all I would have to know what they charged, and I would also have to make some study of the work. I would imagine that our salary rates in the Civil Service are lower than the rates for senior salaries in the offices of chartered accountants.

Mr. STEWART: The reason I asked you that question was that it was said in the House of Commons that it was cheaper in the long run to have that work done by outside firms.

The WITNESS: Well, I have not finished my statement, sir; but it could be, if the accounts were scattered and a chartered accounting firm had a branch in a place where I did not have people, that it would be more expensive for me to do it than them to do it. That is what I had in mind when I said I would have to study the whole question before I would be in a position to say which would be the cheaper system. I think in some cases they could meet my price and I think I could meet theirs in other cases.

Mr. LANGLOIS: But if you took over that work you would need a larger staff?

The WITNESS: Yes, I would need more staff.

Mr. FLEMING: But I take it that your answer applies to all these other corporations that are being audited by outside firms, you are prepared to take it on?

The WITNESS: I do what parliament tells me to do. That is what I am here for, to carry out your orders. If you told me I was to do it by Act of Parliament,

that I was to audit certain companies, then it is merely a matter of organizing my office and taking on staff with which to do the work.

Mr. FLEMING: I take your answer to include the C.N.R., and that it would apply to all these other corporations as well?

The WITNESS: Yes, it would apply to all.

Mr. STEWART: Can you tell us what percentage of your staff are chartered accountants.

The WITNESS: At the present time I have, I think it is about fifteen chartered accountants on my staff, roughly 10 per cent of the staff. I now have a staff of about one hundred and seventy and twenty of those are routine clerks. I try to keep about 10 per cent chartered accountants on my staff but at the moment I am a little below that.

Mr. STEWART: What about salaries?

The WITNESS: My top salary, I refer to my assistant, is \$8,000 a year. The next chartered accountant's salary is that of supervisor and his minimum salary is \$5,700 a year.

Mr. DIEFENBAKER: What is his name?

The WITNESS: Hopkinson.

Mr. BROWNE: Is that the amount shown here?

The WITNESS: I thought that was coming. The amount I have down here for salary for the present year is \$8,000, but when you go back to the details of the estimates there you will see that it was only \$7,500. The reason is this, that the Civil Service Commission within the last ten days has revised his salary up to \$8,000. I thought I would set out the right amount in the memorandum.

Now, coming back to the question asked by Mr. Isnor about the English system and the way in which they were combining the two committees. To begin with, the Public Accounts committee in England is a very efficient body, it has a long history, it has the Comptroller and Auditor General and it also has at its disposal the services of treasury officers. Now, as to the estimates committee; the Public Accounts Committee only dealt with past expenditures and they wanted to be able to go into the accounts for the current year so they created their Estimates Committee. That was the origin of it. The Estimates Committee over there has had a difficult career because it had no technical assistance, with the result that it floundered and got information as well as it could, and therefore as a committee it did not make any very great name. Some years ago they appointed a treasury officer to assist that committee and he is still attached to it. Now, in that new way, instead of limiting discussions in the Public Accounts committee to matters pertaining to the past they hope to be able through the new committee to discuss future activities as well as operations and expenditures; that is the reason why the suggestion was made that those two committees should be consolidated into one.

Mr. MACDONNELL: Can you give us a little explanation as to how the Estimates Committee works over there?

The WITNESS: No sir. I think the original plan was that they would take a certain number of departments each year and would use their estimates as a basis for their discussions and they would make a report on those estimates after the estimates had been considered in the House—not before, but after; and that was because of the fear that they would encroach on the responsibility of the ministry. The provision was that their recommendations would be given effect to in the next year, and if they were not given effect to the department concerned had to file with that committee their explanation and reasons. They have gotten away from that and they now consider the current estimates and put their report in while the estimates are still before the House for consideration.

They have the power to report from time to time, that is to make interim reports to the House. You see, they have a different procedure over there: the House may have the same estimates before it and may deal with those estimates and approve them even while the committee is still studying them.

Mr. FLEMING: Does this committee have the services of technical assistants?

The WITNESS: Just the one from treasury.

Mr. FLEMING: The Estimates committee has the same assistance as the Public Accounts committee?

The WITNESS: No, just the one from the treasury office; and the reason for that is first of all that their duty used to deal with expenditures, not proposals of expenditures. I refer there to the Public Accounts committee. When you get to the other side of it, the work of the Estimates Committee, they are studying treasury items and they will have the assistance of one man from treasury.

Mr. DIEFENBAKER: Did I understand you to say that the Estimates committee kept on with its work after the estimates had been approved by the House, that that used to be the practice, and that now they deal with the estimates as they are being considered in the House and that they make reports from time to time and report to the House while the estimates are still before it? Is that the correct picture?

The WITNESS: No. The first intention was—it may have been set out in the resolution and if it wasn't set out it was understood—that the Estimates committee would not report until the estimates had been approved by the House. That was the first principle, that the report would not go in until after the estimates had been passed. Then they said: you can make your reports any time. Their reports actually take the form of observation from the estimates. Now then, the particular problem of the Estimates committee is this. In England the practice is to set aside certain days for the consideration of reports on public accounts, but no particular days were set aside for considering the reports of the Estimates committee, and I think the members perhaps felt that they were working hard and were not getting any results for their work, that the House ignored them. I think that is the essential human element in the situation. I think, Mr. Isnor, those are the reasons why they did it that way.

Mr. ISNOR: Thanks very much.

The CHAIRMAN: Would you have any comments to make on the suggestions which have been made by Mr. Diefenbaker, Mr. Stewart and Mr. Wright?

The WITNESS: Well, the trouble there, sir, is that I would be stepping out of my office. It has been a most interesting discussion to listen to, about this Estimates committee and so on; but the only thing I can say with respect to the suggestions about which we have heard is this, that if you wanted to look into the affairs of a department you would have to bear in mind that there are some big departments which might take a long time and some little departments that might take only a very short time; but I take it for granted that when Mr. Diefenbaker was speaking about departments he had in mind the larger departments rather than a little department like the one I direct. So far as the departments go, I think I can say for them that they would welcome any investigations this committee would like to undertake; but as I pointed out yesterday, sir, to my way of thinking, the big danger in an estimates committee is that you would get into a position where civil servants might feel that they could lobby with the committee.

Mr. LARSON: The estimates committee really would be the committee in charge of spending money, but if the money is spent then parliament has the right through this committee to go into the operations of a department or Crown

company and bring to light any irregularities; but I do not see how any committee like this can consider matters of governmental policy in the same way that that can be discussed when the estimates are up for consideration in the House.

The CHAIRMAN: Perhaps I might make this observation, gentlemen. The fact that estimates might be referred to us as an estimates committee would not in any way interfere with the full and careful consideration of those same estimates in the House. Notwithstanding the fact that they were referred to us for consideration they could still be considered in the House, they might even be considered in the House concurrently; and that would not detract in any way from the rights of members for a full and frank discussion of the items on the floor of the House.

Mr. LARSON: As a matter of fact, estimates do not matter anyway, they merely indicate what the government proposes to spend for the current or coming year, and they ask authority to make those expenditures.

The CHAIRMAN: Yes, we have the responsibility of approving of them.

Mr. FLEMING: Parliament itself votes the appropriation.

The CHAIRMAN: Yes, and if it is not voted by parliament the government cannot spend the money.

Mr. DIEFENBAKER: One point which interests me is this, that in the United Kingdom the Estimates committee does not report until the estimates have been passed by parliament, as I understand it.

The WITNESS: That was the practice originally, but as to what the practice is today I would not be in a position to say yes or no because I am not sure of my ground.

Mr. DIEFENBAKER: But you understand it has been changed?

The WITNESS: My understanding is that it has been changed, and that they now submit interim reports, but I cannot state that as a fact, sir.

Mr. LARSON: But, Mr. Sellar, due to the fact that in England the estimates are considered concurrently by the House and by the committee do you not think that there is a danger that there would be a lack of interest in one place or the other? Also, there is surely a duplication of work there, and that would create a lack of interest either in the House or in the committee. I am afraid of that. Don't you think so?

The WITNESS: Well, sir, you have to bear in mind there that the practice in England is quite different from what it is in this country; they have a different system from ours. The practice in England is to set aside twenty days for a consideration of a selected item from the estimates, and the debate centres around the particular item which is called. The usual form it takes is a motion that the salary of the minister be reduced to £1. That is the formal motion and the debate deals with the policy of the department. Then, at the conclusion of the debate, either the motion is withdrawn or it is voted down; and then as the end of the twenty-one days or twenty-two days, whatever it is, every item in the estimates is automatically passed without further discussion. So you will see that our system is different. I am not suggesting for a moment that their system is better than ours. I merely use that example to show you that their approach to the subject is quite decidedly different from ours.

Mr. LARSON: I am not suggesting for a moment that we should follow their practice, but I do think that we should get away from what is obviously a considerable amount of duplication over there because I think there would be the danger of lack of interest if we were to be asked to follow their procedure to the letter.

The WITNESS: One year the motion on the estimates related to a works vote, and it related to the matter of government policy with respect to the

use of certain buildings, and the whole debate centred around that one item. Now, the Estimates committee was the committee which had explored the whole thing, they had made a study of every item of works involved in that vote; but, as I recall it, the findings of that committee were not taken into consideration by the House. The House never delegates its responsibility on questions of a high policy.

Mr. STEWART: Does not that rather suggest that parliament should deal with questions of policy and that a committee such as is proposed should examine into details. I may say that, personally, I do not see any necessity for the House going into all matters of detail.

The CHAIRMAN: Mr. Sellar, have you any suggestions to make as to what has been said on this matter?

The WITNESS: No, sir.

The CHAIRMAN: Well then, I would suggest that we proceed to a consideration of paragraph 10, which is the first of the suggestions submitted by Mr. Sellar. It will be put into the record at this point.

Mr. STEWART: I think paragraph 10 and paragraph 11 work in pretty closely together, and it would be my suggestion that they both go into the record at the same time.

The CHAIRMAN: All right, we will consider them together.

10. *Texts of Items:* For such reasons, it is suggested that a first step is to require that texts of votes be more explicit than they now are, because:

The supplies are granted to the Crown for the public service by the Legislature, but the expenditure is left to the discretion of the Executive, which decides on the propriety of every transaction requiring the payment of public moneys and the only limitation imposed upon the Executive by the constitution is that the disposition of the moneys must be in accordance with the votes. The Executive is not bound to spend the moneys voted by the Legislative Assembly and granted by the Legislature, but every expenditure of such moneys must be made on its authority. The Legislative Assembly, which votes the supplies, has, it is true, a control over the expenditures, which is exercised through the committee on public accounts, but that control is restricted to enquiring if the moneys granted have been spent in accordance with the votes, and it does not encroach on the functions and authority of the Executive. (Wurtelle J., speaking for the Quebec Court of Appeal in *R. v. Waterous Engine Works* (1894) Q.R. 3 Q.B. 223.)

Illustrations of ambiguous directions are: Vote 19 will grant \$1,342,000 for the Live Stock and Poultry production services of the Department of Agriculture. Vote 28 grants \$1,204,000 for the Department's marketing service associated with Live Stock and Live Stock Products. Where is the dividing line Parliament intends being drawn between production and marketing? Or take these Veterans Affairs votes:

531. Treatment services	\$34,389,177
532. Prosthetic services	983,450

Is the intent that, if and when Vote 532 is spent, no further patients may be accepted, or may they become a charge to Vote 531? Actually, Vote 532 is to finance the manufacture of goods required by the hospital services, just as

217. Food and Drugs	\$ 704,450
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is not to purchase food and drugs, but to pay the salaries and expenses incurred in administering the Food and Drugs Act.

11. It is generally accepted that texts of Estimates' items should satisfy four tests:

- (a) disclose clearly the principal objects and purposes to which the money will be applied;
- (b) control and regulate the charges to the vote;
- (c) result in an accounting of expenditures charged to the vote which clearly discloses to Parliament whether application has conformed to the text of the Estimate; and
- (d) be so phrased as to permit efficient application.

Confusion and loss of control can result from having the same object of expenditure under different headings. For example, the following items provide for administration in the Department of Public Works:

288. Departmental Administration	\$ 350,605
289. (Architectural) Branch Administration	437,290
313. (Engineering) Branch Administration	352,885
315. (Dredging) General Superintendence	16,635
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	\$1,157,415

They indicate, in a general way, the purpose, but they do not provide a control over charges because the word "administration" describes intent but does not prescribe boundaries. Parliament would exercise a continuing control and administrative application would be simplified were the four items made into a single item reading:

General administration of the Department of Public Works, provided charges not to exceed \$987,980 for paylist charges, \$80,000 for printing, stationery and photographic and office appliances and supplies, nor \$32,000 for travel expenses \$1,157,415

and thus bring about the following consequences:

- (a) save time by consolidating 4 votes into one;
- (b) focus attention on the real items of proposed costs;
- (c) impose a ceiling on amounts which may be spent for such things as salaries;
- (d) permit elasticity in departmental use; and
- (e) reduce the risk of supplementaries being required.

Mr. FLEMING: Has Mr. Sellar any comment he would like to make under these headings?

The WITNESS: Well, sir, the important point there, I think, is that the estimates as they are now presented are a little confusing to you because they are broken down into too many items. The change to the present large number of items was made in 1938 and it was a material improvement over the previous practice, but since then the government business has grown until we have what you find in the book before you, the public accounts there. If you were to look at page A-21 (that is item A, Department of Agriculture) you will see that the vote I am now referring to, vote 19 (it had the same number that year)—and then if you turn to the top of page 22, that is the next page, you will see that this vote was provided for expenditures in connection with livestock and livestock products as it relates to the production of livestock and poultry, under the Livestock Products Marketing Act; and then, if you will turn to page A-30 you will see under vote No. 28—vote 27 rather—livestock and livestock products. You will see underneath it says that these votes are in connection with the marketing of the livestock and Livestock Products Act as they relate to the marketing of

livestock and so on and so forth. I think when you have two services, or two votes for one service, that you should include all in one vote; then, when you are studying that item, you would look in the Livestock and Livestock Products Act for your authority for the purpose of that vote. That is the reason I use these two items to illustrate, the point that I was making yesterday. As I said then, there are opportunities where you have two votes under one item as in this case, for transfers from one item to the other in a way which was not technically contemplated by parliament.

Mr. ISNOR: What would be your purpose there?

The WITNESS: To combine the two items.

Mr. LARSON: Well, Mr. Sellar, who is responsible for drafting the wording?

The WITNESS: In England, sir, the Public Accounts committee and the Estimates committee give direction as to the form of the estimates and the wording that is to be used in the subheadings. In Canada we have always regarded that as a matter to be decided by the executive, but I doubt if you will find any rule anywhere which sets out how it is to be done or who is to do it.

The CHAIRMAN: Is it not the usual practice for the department to decide that?

The WITNESS: No, the Treasury Board does that, sir.

The CHAIRMAN: The department indicates what they want when they draft their estimates and then the Treasury Board makes any changes?

The WITNESS: Yes, the Treasury Board are the ones who make any changes, but the requests originate in the departments.

Mr. WRIGHT: Do I understand that if we were to combine these two votes you would include the items for salaries in both items and also travelling expenses and the other things which appear listed there as expenditures covered by that particular vote?

The WITNESS: I would not go to extremes, of course. Now, Mr. Chairman, my reasoning is this, a big item of cost, both direct and indirect, is salaries. Parliament indicated in 1918 that no money was to be paid for salaries in excess of what parliament had appropriated for the purpose. Now, we have gotten away from that. I think a great deal is to be said in favour of parliamentary control of total amount, although I appreciate that you have to be reasonable in fixing a limit for salaries in vote.

Mr. ISNOR: Some reference was made in your statement yesterday, Mr. Sellar, to the lapsing of votes which amounted to \$186,000,000 last year. I was wondering whether you could tell us what proportion of that represented salaries?

The WITNESS: I have no idea, but if you will refer to my report there you will see that with respect to the Department of Public Works it amounted to something like \$33,000,000; with respect to the Department of National Health and Welfare to something like \$23,000,000; and the Department of Veterans Affairs to something like \$35,000,000—that was one of the big ones—but I cannot tell you with regard to those items what proportion is represented by salaries. Now, with regard to what I am saying, you have to bear in mind always that I am speaking in terms of control by parliament, and by putting a consolidation into effect a lot of estimates money can be saved. That is what I have been thinking about. I am advancing a certain argument to you today in support of my views. The Deputy Minister of Finance might come here and give you quite different views, and may I suggest to the committee that it might be desirable at some convenient time to have him appear before you. But I am thinking in terms of parliamentary control.

Mr. LANGLOIS: Well, Mr. Sellar, in connection with the high percentage of lapses, is not a lot of that due to climatic conditions? I know in my part of the

country it is very difficult for us to carry on building construction, for instance, in the wintertime; it has to be done when weather conditions are favourable. It does not matter that the money is voted or when it is voted; it is not voted until April or May, and sometimes not until June; and then you cannot go ahead and start your work until sometime later, let us say in September; and so far as I know, there is no way in which construction work outside can be done in the wintertime, unless it happens to be in a city, such as Montreal. Would that not account for a high percentage of the lapses in respect to public works?

The CHAIRMAN: May I ask you a question, Mr. Sellar? At the present time we have a system of these votes, as you say, and your observation is that they are not worded correctly. What suggestions have you to make to the committee as to how that situation could be improved?

The WITNESS: My reply to that will be found in paragraphs 13, 14, 15 and 16.

The CHAIRMAN: Well, gentlemen, I see I am ahead of myself. I had better wait until we have disposed of the discussion under paragraphs 10 and 11 which are now before us. Has anyone any further questions on sections 10 and 11?

Mr. LANGLOIS: Mr. Sellar, I notice that the largest lapse you show is in the Department of Veterans Affairs. Would not the remarks I made with respect to Public Works apply there also?

The WITNESS: Yesterday, as some of you will recall, I stated that this \$186,000,000 was exceptional, that you had to bear in mind that I am referring mainly to transactions in the year 1948, a period when supplies were tight and it was generally the policy of the government to forego any construction work whatsoever that could be avoided, and there was a very large amount of lapsing for that reason.

Mr. WRIGHT: As far as prices are concerned in their relation to the work of the Department of Veterans Affairs, more particularly under the Veterans Land Act, I know of cases where the land available at the price was not suitable, and where the land could not be obtained at the price intended for it with the result that a great deal of that appropriation was not used. I think that accounts for a considerable amount of the lapsing shown in the Department of Veterans Affairs which, as you said, amounts to \$35,000,000.

By Mr. MacDonnell:

I would like to ask for a little further information about the situation disclosed at the bottom of page 6, the four items there which total \$1,157,415. Now, the auditor general, in his last paragraph there, makes some observations regarding that, but I would like to have a little further enlightenment on it. He says there that the administrative application would be simplified if the four items were made into a single item, and he indicates the phraseology he would use. What is the reason for that position?

The WITNESS: In 1938, sir, an effort was made to try to divide the principal branches of departments into votes so that when you would have the costs of those branches before you you would know what they were. Now, in these four votes, the staff concerned are all working in the Hunter Building; they are all on purely administrative work, and it seems to me that a general administration item would cover these four in one; that their salaries would all be charged to one vote although they might be seconded to the deputy minister's office or to the chief of the chief architect, or the chief engineer—they might be moved back and forth.

Q. Do they attempt to keep a cost system?—A. No, sir, there is no attempt at a cost system.

By Mr. Major:

Q. Do you think that having this separated instead of in one would cause confusion in the audit?—A. No. The department happens to be in sympathy with my suggestions relating to this. The trouble about it is this: let us say that the architectural branch needs to hire five architects to go ahead with the construction of a certain big building but they have not money left in their vote. As they have not made provision for those five architects, therefore, they have to go to parliament for a supplementary estimate, although at the same time the engineering branch may have idle funds in their vote by reason of a reduction of work. Nevertheless those funds cannot be used to pay the cost of these five architects. Therefore parliament is asked to appropriate the extra money to pay for these fellows, while the other money lapses.

By Mr. Macdonnell:

Q. Is that by reason of this division?—A. Yes sir. There is no virement permitted between votes.

Q. That would seem to be a very arbitrary and unreal thing?—A. In their view it should be consolidated and you would have the real picture.

Q. Is this due to the attempt made in 1938, as you say, to break the votes up into further detail?—A. Up to 1938 the practice was to vote the salaries at Ottawa by departmental units. In 1840 the Civil List was established, and all salaries for employees at the capital were voted under an item which was called Civil Government, and there was a civil government vote for each department. But the view of the government was that this probably did not disclose to the House of Commons what the departments were doing and therefore in 1938 they abolished the Civil Government name altogether and directed the money under salaries of the various departments, and then further divided it into branches.

I just happened to use Public Works, but if you will look at Agriculture you will find the same sort of votes where officers are on the same sort of administration work at headquarters.

Q. It must be very confusing to you as well as to us?—A. It does cause some confusion in handling the accounts.

By Mr. Langlois:

Q. I was looking at vote No. 15 for general dredging. In my riding there is a lot of dredging which has to be done. I would suppose there would be a specific fund in the department of Public Works to do that dredging in connection, let us say, with a fishing harbour, if that harbour became filled by sand caused by a storm. I wondered if the department would have enough in the fund to pay a few hundred dollars for dredging, or would it have to postpone the work and come to parliament and ask for a few hundred dollars to carry out that work?—A. No. This is purely for headquarters administration. There are dredging votes by provinces in the estimates. And if you had a dredging job to be done, the wages of the inspector would be charged to that particular job.

Q. You mean they are included?—A. Yes, they are included. That is just part of the construction cost.

By the Chairman:

Q. What you are saying is that administrative rates of most departments, such as Agriculture and this one for their head office staff here in Ottawa are split by branches. Have you any comments to make on these items of the estimates?—A. Agricultural administration has about 29 items, I think.

Q. For administration only.

By Mr. Browne:

Q. Is it shown in the estimates?—A. They are shown under production, marketing, and research.

Q. But they are actually administration, though?—A. Yes.

By Mr. Macdonnell:

Q. Rounding out what Mr. Langlois has said: one does not want to make money available too freely, certainly; but take the case he mentioned of some sudden emergency arising in the matter of dredging or any other public work. Is there any leeway of any kind? I got the impression yesterday that there would be a certain amount of leeway? I mean, if some sudden emergency should arise, or must it be left over until the next year?—A. No sir. And if you look at the public works votes you will find that for each province, and in some cases for combined provinces, there are specific sums set out in detail, for example, as harbour improvements and dredging throughout the provinces of Canada. And at the end there is shown a general item ranging from, I think, \$150,000 up to several hundred thousands by provinces, depending upon the size of them for miscellaneous dredging to be done.

But if what Mr. Langlois spoke about happened in the month of November, and a violent storm destroyed a wharf, or brought about damage to a harbour. Parliament is not sitting and there is no money available in the vote, the vote is exhausted, but there is a procedure which would provide for the work through what is known as a Governor-General's warrant.

MR. LANGLOIS: But it is very seldom used.

By Mr. Browne:

Q. I suppose the Fraser Valley case would be an example?—A. We have had occasion, for example, in the case of a storm in Nova Scotia, when a lot of harbours were put in such a bad condition that the fishermen could not use them that the work just had to be done.

By Mr. Wright:

Q. I take it that Mr. Sellar's difficulty is that the department is divided into three or four administrative heads. In the course of the year they would go ahead and do the work necessary to be done in the department. But when the matter comes to your department for auditing you find it very difficult to find the legal reason to get them over some of the money which they have spent for administration?—A. No, we have no trouble over that. We cannot identify and we do not try to identify whether a man has worked for 365 days, let us say, in the architect's branch or whether he has worked with the department generally. I simply look to see if that man was legally appointed by certificate or by the Civil Service Commission, and I look to see if there is money in the departmental vote to pay his salary.

The departments prepare their pay lists and those pay lists are passed upon by the Comptroller of the Treasury. If he is a temporary employee, his appointment has to be approved by the Treasury Board. There is adequate control over that. But the trouble is that we have four accounts when one account would do, and it would be much better if we just had the one account. That is my view.

There is reasonable control, but you are not sure you can say that a man has been working in the architect's office or whether he has been in the engineer's office or some other office.

Q. It is impossible for you to get that check and therefore you audit a statement when you are not sure whether that statement is actually correct or not.—A. We look to see if he is legally employed by the department of Public Works.

By the Chairman:

Q. If we are through on sections 10 and 11, can we go on now to Section 12 "The Number of Items"? Are there any questions on section 12, or does Mr. Sellar want to comment on sections 12 and 13?

12. The Number of Items: There is an ancillary reason for this proposal. Everyone has read from time to time in the press that the House of Commons voted Supply as quickly as the Chairman could call items. Those familiar with Parliament understand the situation, but the general public does not, and it may be that the prestige of Parliament suffers. The Main Estimates now before Parliament consist of 564 items—a much larger number than is the practice throughout the Commonwealth. They will appropriate \$1,403,022,068. For such reasons, attention is drawn to the distribution:

	No.	Total Amount
Items up to \$2,000	19	\$ 15,081
" from \$2,001 to \$10,000	42	285,497
" from \$10,001 to \$50,000	74	2,118,574
" from \$50,001 to \$250,000	152	19,648,007
" from \$250,001 to \$1,000,000	135	72,251,419
" from \$1,000,001 to \$5,000,000	106	253,000,755
" over \$5,000,000	36	1,055,702,735
	564	\$ 1,403,022,068

From the foregoing it will be noted that approximately 50% of the total number of votes represents less than 2% of the total to be granted by the Appropriation Act. A consolidation would facilitate debate without lessening fiscal control.

13. Printed "Details" of Estimates: Details printed in the Estimates have no legal significance because the legal sub-dividing of votes is effected by applying section 26(2) of the Consolidated Revenue and Audit Act, 1931:

The deputy head or other officer charged with the administration of a grant authorized by Parliament shall prepare and submit to the Comptroller in such form and at such time as the Treasury Board directs a classification of the expenditures provided for under such grant and such classification when so established shall not be varied or amended except with the approval of the Treasury Board.

The "Details" now printed at the back of the Estimates' book may be evaluated by a single test: value to Members of Parliament. In Durell's "Parliamentary Grants" is to be found:

If, as is the case, Parliament grants to the Crown a certain sum for a certain service in a given year, without any more definite appropriation in the terms of the grant, it is legally competent to the executive to expend that sum at discretion in the year upon that service. That is to say, since the parliamentary enactment deals with the vote only, the government is not legally bound to adhere to the details submitted to Parliament, provided the expenditure is restricted to 'the four corners of the vote'. Morally, however, the Government must adhere to those details as far as is consistent with the interests of the public service, since its good faith is pledged by the details given to Parliament, and the Comptroller and Auditor General would correctly bring divergencies to notice. (p. 296)

My opinion is that the present "Details" are of little utility in achieving the purpose of the last sentence. Instead of an accounting classification of positions and certain categories of expenses, the Details should give, in narrative form, a bird's-eye view of the operations of the service to be financed out of

the vote. To illustrate, the Audit Office vote will be used because of my familiarity with it. Instead of the statistical "Details" now printed on page 99, I would substitute a text along the following lines:

Salaries and Expenses of the Audit Office

Appropriation 1948-49	\$533,293	Expenditures	\$517,592
Appropriation 1949-50	550,081	Expenditures to Dec. 31, 1949	417,511
Estimate for 1950-51	578,762		

Activities: The statutory duties with respect to the accounts of Canada are set out in Part V of the Consolidated Revenue and Audit Act, 1931.

The audit of accounts of the Foreign Exchange Control Board and of the Custodian of Enemy Property will be performed as a cost to this vote.

The Auditor General is the auditor of: Atomic Energy Control Board, Canadian Arsenals Limited, Canadian Broadcasting Corporation, Canadian Overseas Telecommunications Corporation, Canadian Patents and Development Limited, Canadian Sugar Stabilization Corporation Limited, Commodity Prices Stabilization Corporation Limited, Crown Assets Disposal Corporation, Eastern Rockies Forest Conservation Board, Eldorado Mining and Refining (1944) Limited, Export Credits Insurance Corporation, Federal District Commission, Fraser Valley Dyking Board, National Battlefields Commission, National Harbours Board, Northern Transportation Company (1947) Limited, Northwest Territories Power Commission, Park Steamship Company Limited, and Polymer Corporation Limited. It is not the practice to charge corporate bodies of the Crown for audit services, therefore expense incurred in performing these audits will be a cost to this vote.

The Audit Office performs, for the benefit of the auditors of the Bank of Canada, certain audit services in connection with the Public Debt Services. The cost incurred will be a charge to this vote, but the amount recovered from the Bank of Canada (estimated at \$8,500) will be deposited to Revenue.

By resolution of the General Assembly of the United Nations, the Auditor General of Canada is a member of the United Nations Board of Auditors until June 30, 1953. Practice is that examinations of certain accounts are made by Audit Office staff, the United Nations reimbursing the full cost (including salaries). Out-of-pocket disbursements for travel, etc., will be refunded to the vote, but reimbursements for salaries will be credited to Revenue. No extra staff are or will be employed because of this special work.

The corporate accounts of the R.C.A.F. Benevolent Fund are annually certified by the Auditor General. This body is wholly independent of the Government and the R.C.A.F., but no charge is made for the audit service because of the purpose of the corporation.

No new undertaking of monetary significance is being provided for in the Estimate.

Salaries: All salaries, other than the \$15,000 salary of the Auditor General (which is a statutory charge, sec. 39 of the Consolidated Revenue and Audit Act, 1931) will be charged to this vote. All appointments are made under the authority of the Civil Service Act. The senior appointment by the Civil Service Commission is that of Assistant Auditor General, who will receive \$8,000. Provision is made for 176 positions; as

of the date of submission, staff was composed of 128 permanents and 42 temporaries. For 1949-50, salary and wages cost may total \$496,000; for 1950-51 the amount requested is \$523,018. The added sum is to provide for normal statutory increases (\$6,500) and \$21,000 for additions to the staff establishment.

Travelling Expenses: It is estimated that \$35,000 will be required. The office has sub-offices in Montreal, Regina and Vancouver, but examinations are necessary at other places, particularly with respect to accounts of corporate instrumentalities, Post Office, National Defence, National Revenue, and Unemployment Insurance Commission.

Printing, Stationery and Office Equipment: It is estimated that these costs may total \$18,194. Of that amount, \$13,000 will be spent for film, etc., in connection with the work of maintaining a permanent record of categories of redeemed Receiver-General cheques. By section 28 of the Consolidated Revenue and Audit Act, 1931, the Deputy Minister of Finance transfers, from time to time, redeemed cheques to the Audit Office for safekeeping. The same section permits Treasury Board to make regulations for ultimate destruction. Over 20 million cheques may be received in the year and perhaps 15 per cent of these may be filmed in accordance with the provisions of section 29A, which was added to the Canada Evidence Act by c.19, Statutes 1942-43.

A. 12, sir, I think includes too many items, and when I say there are too many items, I mean from the standpoint of accounting. We know you can get your control with a fewer number of items. Therefore the question is purely a matter of taking up the time of the House of Commons by using all of these items.

One often reads items in the newspaper to the effect that when the House votes supply the chairman calls the items and no consideration is given to them, and why do we send members to parliament, to Ottawa, if that is the way the items are put through? But we in Ottawa and the members of parliament know that those items have been scrutinized and that they have been passed upon either in other discussions or in committee. Yet the public does not know that. So I think we should reduce the number of items. But that is purely a suggestion and you need not form any final opinion upon it because it would be up to whoever is responsible for forming the estimates as to how many items they think are necessary.

It is listed here that 50 per cent of your votes appropriate 2 per cent of your total.

Mr. BROWNE: Could Mr. Sellar give us an example by using agriculture to show how it could be done?

By Mr. Browne:

Q. Can you tell us how you would apply this principle in the case of agriculture?—A. This is going to be a snap opinion, Mr. Chairman, because I have not studied it in detail. But I do not see any reason why votes 1, 2 and 3 could not be combined into one. And I do not see why votes 5 to 12 could not.

Q. In that case what would you call 1, 2, and 3?—A. Administration.

Q. Just general administration?—A. Yes.

Q. Yes?—A. I do not see why votes 13, 14 and 15 could not be combined into 1, and my belief is that vote 16 could be included in the first vote up above, and shown in that way, I mean thrown in with my first group up above.

Q. You mean votes 1, 2, and 3?—A. Yes. And 17 and 18 I would make a vote by itself. It is the administration of the Health of Animals Act.

Q. Yes.—A. 19, 20 and 23, 24 and 25 I would make into one. And I would also include in that vote 28. I would leave "grants" separate items, such as

votes 21 and 22, and I would leave those items 30 to 34 separate. But I would have to study in greater detail those which are listed under "special". However, that is generally my idea of how I would do it. I would reduce them downwards.

Q. What would you call them between votes 5 and 12? Science Service?
—A. I would put them all into one vote.

Q. Would you not put in Science Service Administration?—A. That vote 2 and 3, yes. But the rest of them I would put into one vote. And as I have said, this is just quick thinking and I would like to study them. If you would like me to, I could give it to you after I have studied the matter more carefully.

Q. It seems to me that it might be a good idea to work on this one because it is not a very large department so far as the number of items go, and we would thereby get an illustration.

By Mr. Isnor:

Q. Granted that the change was made as suggested by Mr. Brown, would you still carry out the details?—A. I would make the details more informative.

Q. But they would still be included?—A. They would be broken up according to these various research activities, I would imagine. They would be presented so as to show their costs and what they intended to spend on each.

By Mr. Johnston:

Q. I wonder if Mr. Sellar could take up the Department of Agriculture for example, and after having taken due time to consider it, then to present to us his suggestions in the matter so that we would have something concrete to go on and we would be able to compare it with the estimates which are before us? I think that would be greatly to our advantage?

The CHAIRMAN: That is a fair proposal, and I wonder if Mr. Sellar thinks it could possibly be done.

By Mr. Johnston:

Q. Would that be asking too much of you, Mr. Sellar?—A. Oh, I cannot refuse, because the Senate asked me to do that for public works and I did it. So I certainly cannot refuse it to my own committee.

By Mr. Isnor:

Q. You have already done it in connection with public works?—A. Yes, sir.

Q. Well, then why not let us have that as well?—A. I have included in this general memorandum the material information in public works.

By the Chairman:

Q. Then, could we get that from you.—A. Yes.

Q. It will be taken up at a further meeting of the committee.—A. It will be taken for granted that I may consult with the department?

By Mr. Johnston:

Q. You may consult with anybody you like.—A. Well, they have got their problems as well and I must see it from their angle.

By Mr. Larson:

Q. If you are going to consolidate the figures would you not have to include the details under the Act? I believe something was said in the House

about \$17 million being asked for contingencies, but no details were given, and I think great exception was taken over that.—A. With respect to details I refer in my paragraph 13 to the general approach to details, and so that nobody could say that I was making a deliberate attack on a particular department I used my own vote and you will see there on page 8 the details that I put in. I start off with the appropriation for two years back showing the amount. And then opposite I show what I spent in that year. Then I take the appropriation for the current year, that is 1949-50 which was \$550,081 and then I put in my expenditures to December 31 which were actually \$417,511.

That would give you a bird's eye view of what it cost in the past and what it costs now in this particular year. And I would defend the items I am asking for this year by stating the activities I have got to carry out for that money, and I would give a list of the various things I have to do and generally try to give a picture of our situation.

Take next the salaries on page 9 and here I make a radical departure from what you have now. You have in your details of estimates the classifications of all permanent employees down to the messenger boys. But I have a feeling that that does not give you a great deal of help. So I have it in mind that I show you how the individuals are appointed, whether by the Civil Service Commission, or whether I have the right of appointment myself, and my top salaries. Perhaps you would want more than the top salaries. Perhaps you would want the heads of branches and so on. But my idea was not to go into details, because during the year those details do not stand up. A person will die and we may hire a new person, so those details are not carried throughout the year. This, as I say, would give you my actual staff as on the day that the estimates were submitted to the Treasury Board for approval, and I would give you what staff I expected to have in the next year and how much it would cost; and I would try to explain my travelling expenditures, my printing and stationery and so on.

Q. That would appear as a vote in the estimates?—A. No. That would appear in place of your present details.

By the Chairman:

Q. It would not appear in the Appropriation Act?—A. No, sir, it would not appear in the Appropriation Act but it would appear in the details.

Q. Would we not be getting less itemized details than we are getting now with this list not only of salaries but also for such things as repairs to equipment and so on?—A. But they would be set out too. They would be given as well.

By Mr. Browne:

Q. In regard to salaries, there are a certain number of classes, about seven classes, I think, and there are different stages in those classes. I do not think we are interested in whether a man gets \$4,280 this year. All we want to know is the number of classes. That would cut down the details by about 50 per cent at least if not more.

By the Chairman:

Q. Yes. I have a feeling it would give us less details than we have now. But I thought they had to be included in the appropriations. So, under the Appropriation Act the only change would be that the wording would be different and the headings would be different from those in use at the present time?—A. I was just trying to give you a running story. You were referring to purchases and supplies, but they are covered in my next paragraph.

14. The illustration just used is for an administrative vote. The text for an operating service would, of course, be different. For example, Item 468 (Department of Transport) reads:

468. Marine Service Steamers, including Icebreakers—Maintenance, operation and repairs, \$3,603,070.

The details printed (pp. 290-1) distribute the cost for positions and then read:

Total salaries and wages	\$ 1,422,951
Overtime	40,935
Allowances	277,150
Travelling expenses	3,910
Telephones, telegrams and postage	2,480
Printing, stationery and office equipment	1,045
Fuel	795,775
Materials and supplies	273,650
Repairs and upkeep of equipment	656,696
Express, freight and cartage	2,650
Aerial Ice Survey—contract	13,000
Rentals	65,000
Sundries	47,828
	<hr/>
	\$3,603,070
	<hr/>

Based on past experience, over \$50,000 each will be spent in operating 16 steamers of the fleet. In addition, there are several small boats. It is suggested that it would be more informative were the details to give the expected cost with respect to each of the steamers, distributed by navigation districts, etc. In other words, a distribution of costs such as is now given on page Z-22 of the Public Accounts.

The WITNESS: After listing a certain number of salaries and the details, they give a summary total of \$3,603,070.

Now then, if you will look at the public accounts which you have before you at Z-21 and Z-22, you will see there at the foot of the page that the Comptroller of the Treasury has made an accounting of all votes for the year and he sets down the amount in the estimates. I am using the different years' estimates, so the figures do not coincide. Then he gives the allotments made by the Treasury Board and then the actual expenditures. And then he follows that out and he gives information such as—and if you turn to the next page you will see that he also gives a statement showing the expenditure on steamers in the district, that is in the Prince Edward Island district, and that the *Brant* had an operating cost of \$78,499.58; the *Ernest Lapointe* had an operating cost of \$3,932.52; the *Saurel* had an operating cost of \$234,978.19 and so on.

But it does seem to me that the Members of the House of Commons in considering the estimates are more interested in knowing, let us say, what it cost the *McLean* to break the ice in the channel up to Montreal in the spring, and what it cost to break the ice in the channel through the Hudson Straits for the opening of the Port of Churchill in the fall. And Nova Scotia members would be interested in what was spent to open up Sydney and other ports like that. So I think that if you changed the style of the details and explanations you would have a better picture, and you would be able to question the minister or whoever you are going to question in a better way. I believe that is all my approach to the subject.

Mr. MACDONNELL: I observe that the actual allotments are in some cases different from the estimates?

The CHAIRMAN: Are there any points in Mr. Sellar's talk we have covered up to now, including paragraphs 12, 13 and 14, as to which there will be further questions on the different items? We have just dealt with paragraphs 12, 13 and 14.

By Mr. Macdonnell:

Q. Mr. Chairman, might I advert in paragraph 11, to those four items? I have been thinking about it and I would like to emphasize—if I understood it correctly—what was said with respect to these four types dealt with on page 6. I think they are artificial and that they convey nothing except that a certain amount of time and money has been spent. So it seems to me one of the most foolish and wasteful expenditures of time and money that we could make.

I would like to ask one other question. I believe the auditor-general made a remark which I did not fully understand. I believe he said there was some fear in certain quarters that one of the dangers of an estimates committee might be that civil servants would seem to lobby. I would like to understand that a little better. I do realize that one of the things for us in the background that we bear in mind is that anything in the nature of an estimates committee would derogate from the principle of ministerial responsibility and I have no desire, I am sure, and no member here has any desire to derogate from that. It is one of the bases of our constitution. So I do not quite understand what the auditor-general has said. Perhaps he could make it a little clearer for me?—A. It is purely hypothetical?

Q. Yes.—A. Let us say that a very enthusiastic officer of the Minister of Agriculture wanted to make research in a certain line, or wanted to adopt a new policy and the Minister of Agriculture decided against him and did not make provision in the estimates for it. And let us suppose that it happened that that particular official for some reason or other was called to appear before an estimates committee and thereupon proceeded to argue that if he had had more money he could have done certain things for certain members which would have been very useful to them in their constituencies. That is what I meant.

By Mr. Johnston:

Q. You mean, to try to have the committee recommend it?—A. No, but to accumulate support which would bring pressure on the minister.

By Mr. Macdonnell:

Q. He certainly would not be accumulating any support from the minister?—A. That is what I meant. There may be only a remote possibility of that happening but that is what I had in mind.

The CHAIRMAN: Are there any further questions on items 12 to 14?

By Mr. Isnor:

Q. I would like to ask Mr. Sellar a question in regard to his own department. You have made an appropriation for 1948-49 of \$533,293?—A. What page are we on?

Q. Page 8. There is an appropriation there of \$533,293, with an expenditure of only \$517,592 in so far as you are concerned. To use Mr. Macdonnell's term, that is ancient history.—A. Yes, sir.

Q. But in 1950-51 I see you estimate in the amount of \$578,762, yet your expenditures up to December 31, 1949, are only \$417,511. Then you say to the Treasury Board: "Nine months of the year's operations have expired, and I need so much money." Would you base that latter sum on the expenditures alone, the amount of the appropriation? Is that right?—A. You mean this \$417,511 figure?

Q. Yes.—A. That is the actual charge to my vote up to December 31. That, I say, would be charged against the \$550,081.

Q. No, the \$578,762.—A. No, no. \$578,762 is for the new year. I have now got to justify to you that I need \$578,762 next year, when up to December 31 last I only spent \$417,511.

Q. Yes.—A. I am putting in this figure, so I am on the spot. My first figure is put in there, I mean that \$517,592 is put in there to show what the total expenditures were in the year, because that was my last fully completed year.

Q. Yes.—A. And then I take the next year as far as I can go, and I show it to December 31 and I show you that I have spent \$417,511 in regard to that year.

Q. Yes.—A. Now I have got to show the House of Commons that I need \$578,762 for the coming year.

Q. You are providing a cushion in the sum of \$57,000, roughly, in your own department?—A. No.

Q. You are not?—A. We have ended the year now, we have practically ended the year, and I have a lapse of about \$11,000 in my vote. You see, my last three months are very heavy months.

Q. That is what I wanted to find out. I was going to ask about the 25 per cent of your unexpended amount. —A. In those last three months I have to audit Crown corporations, and I have much heavier audit expenses in those last three months.

Q. You mean than in any other month?—A. Yes. I think I have \$11,000 which will lapse this year.

Q. I tried to establish what you are bringing out in your former statement in regard to the amount of unnecessary money that is voted.—A. Let us put it this way: when I was Comptroller of the Treasury Board I had a staff of 1,100 people and we were all in one vote. My experience was that if parliament gave me my payroll, my actual payroll as of the first day of April, and took $2\frac{1}{2}$ per cent off that and only appropriated me the net amount, and I carried that same staff, I would be able to pay all of those salaries, because due to deaths, retirements, and one thing and another, there was a certain amount of play. I am not excepting myself but too often we figure that if we go to parliament asking for exactly the same amount as we asked for in the last year you will pass it without any question. Yet that can lead to the worst possible financing, because we may thereby be encouraged to operate dead services when we might actually need more money or perhaps less money for a good active branch. But we have that belief; and when I say "we", I think I can speak for the Civil Service as a whole. We think we can come to you and ask for the same amount as the year before and no questions will be raised.

By Mr. Browne:

Q. Do you think a larger number of smaller items go through more easily than a smaller number of larger items?—A. The departments do not like it.

Q. Do not like which?—A. The larger number of smaller items. The departments try to avoid those things. The reason the departments do not like a multiplicity of small items is that there is no elbow room left to them to meet emergencies, if they have too many small items.

By Mr. Stewart:

Q. And may I ask you who audits the accounts of the Auditor-General?—A. That, sir, is one of the absurdities. In England the accounts of the auditor-general are audited by an officer appointed by the Treasury. Actually he is the House of Commons accounting officer. But here the accounts of the Auditor-General are kept by the Assistant Auditor-General and one of the supervisors makes an individual audit of his accounts. I believe that in a revision of the Consolidated Revenue Act there should be provision made for some one outside the audit office to audit our accounts.

If I may say so, my work makes me a critic of the departments but I am in an unfair position because they cannot criticize me. Nevertheless in the last

week the comptroller and auditor-general of Australia and his chief assistant have been in Ottawa and have spent ten days going over my department and they agree that I will have the benefit of their criticism when it is all over. So I shall have an audit of my system which will cost Canada nothing.

The CHAIRMAN: Have we any further questions?

By Mr. Isnor:

Q. I have one further broad question. Let me put it this way: if we broaden the reference to the public accounts committee so as to include the tabled estimates in current years and the expenditures, we would accomplish the purpose as outlined in Great Britain, of combining the estimates and the public accounts committee. Would you be in favour of doing that?—A. When I used December 31, I had in mind the practical problem that it might mean that it would be really November 30 that you would get up to.

Q. But you would favour the December 31 calendar year?—A. It all depends on when the House meets. It may be possible to insert December 31 figures, or it may be that printing in the estimates will be November 30 statistics. That date would certainly be accomplished.

I am speaking personally here: nobody criticizes my estimates, and when I tender my estimates to the Minister of Finance and to the Treasury Board, they accept them, and perhaps they say: if we do not give them, then Sellar may argue that we have cut his estimates so he could not scrutinize our activities. Therefore my items go through their offices and they come to the House and are passed the same afternoon. In fact, I have not made Hansard in ten years. On the other hand, if I had to put my material in black and white, then I would have to justify my expenditures and I would have to be most careful about them.

The CHAIRMAN: Shall we go on now to item 15 "Works, Provisions in Details"?

15. *Works Provisions in Details:* The construction and maintenance of public works are matters of concern to all Members of Parliament, both from the monetary and local viewpoints. Section 9 of the Public Works Act vests in that department the over-all management, charge and direction of all public works (including the supplying of furniture and fittings.) Then section 10 removes from the Department the public works which are by any Act of Parliament "placed under the control and management of any other minister or department". An Appropriation Act is presumably an "Act" within the intent of the section. A question therefore is the effect of providing for the construction of works which are to be financed by votes for departments other than Public Works. For example, there is the provision in Item 261 (National Revenue, Customs and Excise Divisions) for "buildings and rentals for temporary purposes". No amount is stated in the vote, but \$532,000 is listed in the Details (p. 197). A further variation, for example, is that employed in connection with Agriculture items 5 to 10, and 11, 12, 14, 15, 17 and 19, where no reference to construction is made in the text but Details' breakdowns collectively provide around \$3,200,000 for the "acquisition or construction of buildings and works". If note is taken of the details to Item 303 for Public Works, it will be observed that provision is also being made in that Item for \$500,000 to be expended on "Experimental Farms and Science Laboratories—Replacements, repairs and improvements to buildings". Attention is also drawn to External Affairs' details to Item 66 (p. 114) which list:

To build or purchase premises for offices or residences for missions abroad and to furnish and equip premises and other capital expenditures	\$165,000.
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With this, Item 67 is associated. It reads:

To authorize that use during the fiscal year 1950-51 in payment for the acquisition, improvement or furnishing of properties for Canadian Government offices and residences in foreign countries of incovertible foreign currencies from deposits of such currencies which may be used only for governmental or other limited purposes in these countries and which have been received by the Government of Canada from other governments in settlement of claims arising out of military operations or war expenditures.... \$1.

As Details do not form part of the Appropriation Act, a question is whether listing in "Details" brings into effect section 10 of the Public Works Act. It also presents the query whether works projects solely for the benefit of a particular department or service should be listed under the department concerned in order to portray the true cost of the department.

The CHAIRMAN: Are there any comments you would like to make, Mr. Sellar, before we proceed to ask if the members have any questions?

The WITNESS: Well, as I see it, the problem is that no part of the details is made part of the Appropriation Act. Under public works you list down the harbours, the rivers, and the buildings to be constructed. I now direct you to the first item for which no notice of works is given in the vote, but the details provide for works. It is item 5 in this year's estimates under the heading of "Science Service Administration". The vote is for \$1,229,750.

"Science Service Administration" is the name of the vote but if you look at the details on page 74, you will see there "Acquisition or Construction of Buildings and Works, \$984,950." In other words, 80 per cent of the vote is going to be for the acquisition or construction of buildings and works. Yet you will go into the House without any knowledge of what those buildings or works are; whereas, if it were in the Department of Public Works, you would see the names of the various buildings contemplated. It is true that you will get that information by asking questions of the minister, but it does seem to me that the details should give the names of those important works if they are important works.

By Mr. Browne:

Q. Do you think they should be there?—A. That is a matter of policy, sir. As to these works, you would imagine they would not be constructed by the Department of Agriculture; you would think they were subject to the Department of Public Works?

Q. Yes—A. That is debatable because section 10 of the Public Works Act says that no work which is appropriated or assigned by an Act to some other department comes under the Department of Public Works.

By Mr. Macdonnell:

Q. That strikes me as odd. Presumably the Public Works Department is organized with an efficient staff to supervise the construction of buildings. They ought to have experts to do that rather than some other department; yet according to that section 10, such a matter would be taken out of the control of the Department of Public Works.—A. I cannot speak with any authority with regard to it. I took it because it was the first in the estimates. But let me take the item having to do with Customs Outports of the Department of National Revenue. There is provision in their vote for temporary quarters and

so on; and for rents; by including in the estimates about \$500,000 for construction work which will be carried out by the Department of National Revenue.

Q. You mean it would be constructed by them? Have they got any officials similar to those in the Department of Public Works to look after those things, or would they go out and get special people to do it?—A. I have called attention in my report to a Customs House constructed in Saskatchewan. It was a pre-fabricated construction. The contract was let by the Department of National Revenue without security being taken. The contractor failed and as a result the suppliers—some of the suppliers have not been paid yet. The Department of National Revenue is taking the responsibility.

And two years ago I brought to the notice of the House in my report the practice of the Department of National Revenue to award one contract for the digging of an excavation; another contract for the pre-fabricated building material; and another contract for the construction, so in that way a \$18,000 job could be carried out without going to the Governor in Council at all, because each contract was for less than \$5,000.

My view is this, but I may be all wrong—that when you make these appropriations—I shall just use this one for agriculture—I think that by the text it should be carried into the vote, that is, that there should be shown a transfer to the Department of Agriculture of the power to build the particular building. That is what I think should be the procedure.

Q. Coming back to what the Auditor-General has said, but nevertheless out of deferment to the senior members of Halifax, I think it sounds like an elaborate farce.—A. But in many cases it is very sound.

Q. Why should it be sound to have work done in that way when there is a department organized to do it?

The CHAIRMAN: I think it would tend to enlarge considerably the Department of Public Works if, for example, you had the Veterans Affairs buildings come under their authority.

Mr. MACDONNELL: But would it not have a tendency to enlarge the Veterans Affairs department as well in order to have a staff to do it?

The CHAIRMAN: I suppose so.

The WITNESS: Might I illustrate it in this way; the national parks have to maintain roads.

Mr. MACDONNELL: Is the Public Works Department not in favour of it?

The CHAIRMAN: How do I know? I am not speaking on behalf of the Department of Public Works. I am just asking questions for myself.

The WITNESS: As a matter of fact, this matter about the customs building forms a controversy between two departments. But to answer your question about efficiency; in connection with the National Parks, it sometimes happens that construction has to be undertaken but that the Department of Public Works have no engineering staff near the place, but the Department of Mines and Resources has men equipped to perform the class of work and they do the job. It makes for greater efficiency. It would not be so efficient to take a man from the Public Works office and send him out to Banff National Park simply to see that some construction is performed, when the Department has men already there who are experienced in the matter and can do that work. So you see it works both ways.

And then in connection with the External Affairs Department, they have on their staff an architect whose function is to travel around the world in order to settle on architectural designs or alterations of houses and buildings which come under External Affairs Department control. You might think that should come under Public Works.

Q. I can understand such a thing in an exceptional case. I think you have given a very good illustration of the problem.—A. Oh yes. It works both ways.

Mr. BROWNE: The Appropriation Act makes provision for that, it includes it.

Mr. MACDONNELL: Yes, but what I am coming at is whether that is a matter which in every case comes to the attention of parliament. I don't remember it. Can you give me an illustration? I suppose in this instance the Department of National Revenue is the case in point.

The WITNESS: My own view is that we need a redraft of the Public Works Act. I do not care who does construction work so long as we avoid duplication. I think we should have provision for the calling of tenders, the taking of security and so on. I think we should have the same procedure. I do not know what the procedure should be, but I think we should have the same procedure in all departments and units of government with regard to the awarding and carrying out of contracts. At the present time we haven't anywhere that I know of, but I do think there should be, some form of control, some standard, setting out the way in which contracts should be let, whether they be by tender, by cost plus, or on a ceiling basis, because it involves the selection of contractors. I have seen cases where there was at first a relatively small job to be done, and a contractor would be picked on the ground that he knew it and he was a local man, but after he got in on it, it grew bigger than it was thought the job would be at the start. When he took it on a cost plus basis it was thought that the job would probably not exceed, let us say, an amount of \$5,000, but work turned out to be much larger than was anticipated, let us say it went up to as much as \$100,000. Well, the result of that was that on a cost plus basis a contractor stands to benefit materially. But what is more important is there was no element of competition in the letting of the contract such as there would have been had it been let in the first instance on firm price basis. My thought there is that there are more opportunities for considerable saving when jobs are open to competition.

Mr. LANGLOIS: What you have in mind is that in so far as Crown companies are concerned they would be covered by a standard form of wording for cost plus contracts?

The WITNESS: I would not go so far as to say that all companies should be bound in that way, but I do think that all departments should have that standard system.

Mr. LANGLOIS: According to my information the Canadian Commercial Corporation has its own regulations with respect to the calling of tenders, the awarding of cost plus contracts, and that their regulations were not even approved by parliament.

The WITNESS: No. The Canadian Commercial Corporation is acting for the Department of National Defence and functions under the Munitions and Supply Act which was passed during wartime. Now, the Munitions and Supply Act requires that contracts for \$15,000 or more be approved by the Governor in Council, and in the case of the Department of Public Works all contracts over \$5,000 must be approved by the Governor in Council, under that amount that approval is not required. Incidentally, I do not think \$5,000 is a reasonable amount, as things go today, I think it should be considerably higher than that. As you say, the Canadian Commercial Corporation has its own regulations respecting the matter of contracts, calling for tenders and so on. I think it would be of advantage if we had a standard, uniform practice, which would govern all matters pertaining to contracts such as advertising, the calling for tenders, the awarding of contracts, and the procedure to be followed when the contract is awarded to anyone other than the lowest tenderer; the taking of

security, the making of progress payments from time to time, and all that sort of thing. I think that can be covered by some uniform law or statutory provision so that the practice would be common throughout all departments of government.

Mr. LANGLOIS: I am sorry, but I do not think you have answered my question. I was referring to the C.C.C. having the power to make its own regulations about calling for tenders, cost plus contracts and so on; and they also have the power to decide whether any such contract will be awarded after the tenders have been called, or whether it should be proceeded with on a cost plus basis without reference to approval by the Governor in Council. Am I right in that?

The WITNESS: My understanding is that you are, sir; but, as I said, under the provisions of the Munitions and Supply Act, there is authority to award contracts below \$15,000 on a firm price basis, but in the case of any contracts going over that amount approval of the Governor in Council must be secured.

Mr. MACDONNELL: While you are on that point, Mr. Sellar, could you tell us whether all Crown corporations are on the same basis, that is the basis that they are virtually independent in the conduct of their business much in the same way as is the case with a private corporation?

The WITNESS: No sir, there is the National Harbours Board, the Canadian Broadcasting Corporation—they are two who must go to the Governor in Council for approval whenever a contract involves more than a certain amount of money or is to run for a certain period of years.

Mr. MACDONNELL: What about Polymer?

The WITNESS: Polymer on the other hand operates on a straight company charter under the Companies Act and has all the powers of the 1934 Companies Act.

Mr. MAJOR: What about the Central Mortgage and Housing Corporation?

The WITNESS: The Central Mortgage and Housing Corporation? I would have to look at it, sir; I do not audit it so would have to look at it.

Mr. MAJOR: I would now like to ask Mr. Sellar about disputes between departments on the matter of jurisdiction, as to who has the final say. I have information of one case where there was a dispute between departments as to jurisdiction over a job and the result was that the suppliers and the contractors had to wait over a year to get their finances, their money, just on account of the dispute between the two departments as to jurisdiction. Is there any provision for the settling of jurisdiction?

The WITNESS: It is a matter of adjustment between the departments.

Mr. ISNOR: Do you think there would be any appreciable economy if all contracts were placed on a cost plus basis, do you think that is a good plan?

The WITNESS: I do not know sir. I am neither a contractor nor have I operating experience. But I do not like the cost plus basis myself because, in my opinion, it is uneconomical. A man who has a cost plus contract has no incentive, the more he puts into the job the more the job costs, the more he is going to get out of it. For my part, I prefer a firm price proposition, and in my mind that works out to the advantage of the person for whom the work is being done.

The CHAIRMAN: Do you think you are apt to get a better deal on a firm price contract?

The WITNESS: If I can leave Canada for a moment and take you to my experience as an auditor for the United Nations where I have had to deal with the contracts in connection with the permanent headquarters which are being erected in New York City at a cost of \$65,000,000 they were successful in getting

a group of big contractors to incorporate as a special corporation in which four of them were the shareholders, and they took contracts for each building to go up. Now, on the first contract let we got a firm price, it had some extras but it is still all right. The most recent contract awarded is a ceiling price contract, and that was arranged by Mr. Harrison, the chief architect at Rockefeller Centre—he thought he could make some saving by having a ceiling price form of contract; and, in that regard, it is interesting to note that the contractors are working very close to that ceiling price. At one time it looked as though they might be out about \$1,000,000, but now that the work is getting further along it looks as though they are going to come pretty close to achieving their objective.

The CHAIRMAN: Yes, that is all right, but you run into difficulties on a firm price, or on a ceiling price contract when some unforeseen conditions arise; for instance like a strike in the steel industry where you are not able to get material and that may increase your cost, let us say, by 20 per cent or more. Then, there is another factor in respect to government contracts. Let us say you go to the Public Works Department and you get a contract and you run up against unforeseen conditions which materially increase your costs and you go to the department and talk to them about it; well, you just simply can't get any adjustment, you could not get one even if you went to a court of law. The attitude of the department is that it is a contract and you are bound by it; and I have known of cases where contractors have been put out of business just because of situations of that kind. Their attitude is just this, that is the contract, you signed it, that is all there is to it. I wonder if you would care to say a word about that also?

The WITNESS: I have no direct interest in contracts, that comes more under the purview of the comptroller of the treasury. He would be better qualified to speak on that than I am. You know who he is, Mr. McIntyre. My thought is that it might be interesting and useful to the committee if he were to appear before you at some convenient time.

The CHAIRMAN: Well, that may be possible later on in the work of the committee. I think we have accomplished a very useful morning's work and I would suggest that we adjourn now until 4 o'clock Monday afternoon.

The committee adjourned.

~~Canadian House of Commons~~
" on, 1950

SESSION 1950

HOUSE OF COMMONS

Government
Publications

AT
13
A294
1950
no. 3

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

MONDAY, MAY 1, 1950

WITNESS:

Mr. Watson Sellar, C.M.G., Auditor General.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY 1950



STANDING COMMITTEE

on

PUBLIC ACCOUNTS

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Blue	Hansell	Richard (<i>Ottawa East</i>)
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Cleaver	Larson	Warren
Cloutier	Macdonnell	White (<i>Hastings-Peterborough</i>)
Cruickshank	Major	Winkler
Denis		Wright
Diefenbaker		

A. L. BURGESS,
Clerk.

MINUTES OF PROCEEDINGS

MONDAY, May 1, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Boisvert, Browne (*St. John's West*), Cauchon, Cavers, Croll, Fulford, Gauthier (*Portneuf*), Hansell, Helme, Isnor, Johnston, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspe*), Larson, Macdonnell, Major, Maybank, Picard, Prudham, Richard (*Ottawa East*), Riley, Robinson, Sinclair, Thatcher, Wright.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General.

The Committee resumed consideration of Mr. Sellar's brief respecting the preparation of The Estimates.

Examination of Mr. Sellar was continued.

At 6 o'clock p.m. the Committee adjourned until Tuesday, May 2, at 9 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 1, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum. I think when we adjourned on Friday last we had reached item No. 17 on page 11 in the memorandum on the estimates submitted by the auditor general. If you agree I will follow the same procedure agreed upon and ask Mr. Sellar if he has any comments to make on that paragraph, or if he wants to go on to the next.

Mr. Watson Sellar, Auditor General, recalled:

The WITNESS: Paragraphs 17, 18, 19 and 20 all go together.

15. *Works Provisions in Details*: The construction and maintenance of public works are matters of concern to all Members of Parliament, both from the monetary and local viewpoints. Section 9 of the Public Works Act vests in that department the over-all management, charge and direction of all public works (including the supplying of furniture and fittings). Then section 10 removes from the Department the public works which are by any Act of Parliament "placed under the control and management of any other minister or department". An Appropriation Act is presumably an "Act" within the intent of the section. A question therefore is the effect of providing for the construction of works which are to be financed by votes for departments other than Public Works. For example, there is the provision in Item 261 (National Revenue, Customs and Excise Divisions) for "buildings and rentals for temporary purposes". No amount is stated in the vote, but \$532,000 is listed in the Details (p. 197). A further variation, for example, is that employed in connection with Agriculture items 5 to 10, and 11, 12, 14, 15, 17 and 19, where no reference to construction is made in the text but Details' breakdowns collectively provide around \$3,200,000 for the "acquisition or construction of buildings and works". If note is taken of the details to Item 303 for Public Works, it will be observed that provision is also being made in that Item for \$500,000 to be expended on "Experimental Farms and Science Laboratories—Replacements, repairs and improvements to buildings". Attention is also drawn to External Affairs' details to Item 66 (p. 114) which lists: To build or purchase premises for offices or residences for missions abroad and to furnish and equip premises and other capital expenditures, \$165,000.

With this, Item 67 is associated. It reads: To authorize the use during the fiscal year 1950-51 in payment for the acquisition, improvement or furnishing of properties for Canadian Government offices and residences in foreign countries of convertible foreign currencies from deposits of such currencies which may be used only for governmental or other limited purposes in these countries and which have been received by the Government of Canada from other governments in settlement of claims arising out of military operations or war expenditures, \$1.

As Details do not form part of the Appropriation Act, a question is whether listing in "Details" brings into effect section 10 of the Public Works Act. It also

presents the query whether works projects solely for the benefit of a particular department or service should be listed under the department concerned in order to portray the true cost of the department.

16. A more general objection which may be taken to works votes is that the printed material does not disclose either the reasons which make them necessary or the probable ultimate cost. As a rule, the first vote for a large job will be for a small sum—enough to permit some plans to be prepared and, perhaps, to negotiate for the site, etc. Consequently, over several years Parliament may vote several millions of dollars. Cannot much be said in favour of information being given, at the outset, which will permit Parliament to judge whether a project costing x millions should be approved, or if one costing less will adequately serve the public need?

17. *Vote Texts That Legislate:* A matter of particular constitutional concern is the practice of legislating by means of items in the Appropriation Act. That is, by phrasing the text of an item, Parliament enacts in a manner to exempt from or override existing legislation, or, in effect, to add to statute law. An example is Item 67 (quoted in paragraph 15 above). The \$1 is inserted in order that Committee of Supply has an amount on which to recommend adoption of a resolution, but the real money to be employed consists of bank balances in various countries. Ordinarily, those moneys would be subject to appropriation as are all other balances in Consolidated Revenue Fund. The effect of this Item will be to vest in the Crown a right to use the balances, as he sees fit, in procuring and furnishing buildings and residences for diplomatic purposes.

18. More generally, the votes now of concern merely make exceptions from the Civil Service Act. Appropriations lapse on March 31, but the Act itself does not expire. Consequently, a text may be so framed that a continuing enactment results. An example is Vote 352 of the main Appropriation Act for 1941. That vote authorizes an annual motor car allowance to be paid to Ministers, the Speakers and the Leader of the Official Opposition in the House of Commons. Payments are made every year by relying on the text of the 1931 vote. Consequently, in the Estimates the amounts are listed as "s", which means authorized by statute. Legislating by means of an appropriation Act is a convenience when a need is transitory. Furthermore, it avoids cluttering the statute books with expired legislation. But from the constitutional viewpoint, it is open to the objection that it is, in fact, incomplete legislation because the mode employed circumscribes deliberations by the Senate. This was pointed out thirty years ago in a report of a Special Committee of the Senate on the rights of the Senate in matters of financial legislation. The chairman was Senator W. B. Ross, and in a memorandum prepared by him and attached by the Committee to its report is to be found:

To reject a Supply Bill might in olden times have been feasible, but today, with the functions of government so vast and complicated, it is unthinkable . . . It would mean chaos. A Supply Bill should be passed as a matter of course by the Senate in almost any conceivable circumstances if it contains nothing but Supply. If other matters are inserted in the Bill or 'tacked to it' these should be struck out and be made into a separate Bill or Bills.

19. At one time the British view was that an Appropriation Act could not override a statute. However, when the question came before the courts in an Australian case (*Fisher v. The Queen*, [1903] A.C. 158) the Judicial Committee

of the Privy Council ruled otherwise. Consequently, in 1908 the British Public Accounts Committee abandoned its previous viewpoint, but declared that:

it is desirable in the interests of financial regularity and constitutional consistency that such a procedure should be resorted to as rarely as possible, and only to meet a temporary emergency.

and:

the fact that a proposed vote overrides an existing statute should be clearly stated on the face of the estimate, with the reasons for adopting that course, so that no doubt can exist of the deliberate intention of Parliament. The exceptional nature of the vote should also be indicated in the Appropriation Act.

20. Some such texts are repeated annually. For example, in the Supplementary Estimates there probably will be the usual item to provide for payment of the sessional indemnity to Senators and Members who are absent more than the permitted number of days, by reason of absences on account of official business or sickness, or by reason of death during the session. In view of the fact that the practice has existed for over 60 years, it is submitted that it would be more appropriate to amend the Senate and House of Commons Act. As to transitory cases, it is suggested that they should be brought together in a special schedule to the Estimates and be supported by adequate explanations. Of course, a vote text which deals with a matter which normally should be proceeded with by a Bill should be handled as a Bill.

Mr. MACDONNELL: Mr. Chairman, might I ask a question on paragraph 16 first?

The CHAIRMAN: Yes.

By Mr. Macdonnell:

Q. I want to read one sentence: "As a rule, the first vote for a large job will be for a small sum—enough to permit some plans to be prepared and, perhaps, to negotiate for the site, etc. Consequently, over several years parliament may vote several millions of dollars." I would like to ask if we could have an illustration of that; that is, possibly an illustration from the public accounts which we have here before us carrying forward into the current year; in other words, an illustration similar to that to which he referred appearing in these accounts?—A. That, sir, was of course a case of a vote starting at a small amount and increasing. If you will refer to the public accounts for 1948-49, you will find at page V-32, that five items down, Ottawa—Building for Department of Veterans Affairs (Revote) \$100,000, and the expenditure to date as \$250; and there is a comment, plans and specifications not completed. That is a vote which I think this year is in for \$1,000,000. It is in connection with the big Veterans Affairs building.

Q. In that connection were there any hospital votes of a similar nature? I mean, there were various hospitals under construction, were there not? I wondered whether they might have the same sort of thing?—A. My reason for being so slow in replying, sir, is that I am not sure. There was a big hospital—of course, there is Sunnybrook, but my thought is that it was started under the war appropriation. But I am not sure of that. If I had time to look up the number of the account I could locate it for you.

Mr. BROWNE: Where do you find veterans' building in the estimates of this year?

The WITNESS: You will find that under construction of works, Ontario.

Mr. MACDONNELL: You say the vote is now for \$1,000,000 over?

The WITNESS: Yes, in the details you will find in the back.

The CHAIRMAN: I suggest that we now turn to the items 17 to 20 inclusive. Have you any remarks to make about them?

The WITNESS: No, sir. When I was instructed to bring in the memorandum on the estimates it was indicated that it was something along the line that I prepared for the Senate. The Senate has knowledge of this legislating by means of the Appropriation Act. I included these paragraphs. This committee has already considered the subject on many occasions, sir. I have nothing to add to what I have said in various years.

By Mr. Macdonnell:

Q. I would like to feel that I understand better what you refer to there in paragraph 15, so as better to get the exact significance of what paragraph 17 says:

A matter of particular constitutional concern is the practice of legislating by means of items in the Appropriation Act. That is, by phrasing the text of an item, parliament enacts in a manner to exempt from or override existing legislation, or, in effect, to add to statute law.

We have plenty of examples of that. We have one in connection with the Commercial Corporation, then there is the illustration which is given above. I am not sure that I entirely grasp the significance of it. Could we have that a little further explained in connection with paragraph 17?—A. Mr. Chairman, if you will look at the top of the page you will see the authorization that has been sought:

To authorize the use during the fiscal year 1950-51 in payment for the acquisition, improvement or furnishing of properties for Canadian government offices and residences in foreign countries of convertible foreign currencies from deposits of such currencies which may be used only for governmental or other limited purposes in these countries and which have been received by the government of Canada from other governments in settlement of claims arising out of military operations or war expenditures.

Ordinarily these moneys would be regarded as coming under the Consolidated Revenue and Audit Act; namely, that no moneys can be expended without an appropriation from parliament fixing the amount. In this case it is regulated by the amount which may be collected.

Q. For what purposes and in what ways, for example?—A. You mean?

Q. How would these moneys have originated?—A. In the main, sir, these are monies originating in this way; when the Canadian forces re-occupied, or freed occupied territory, the obligation on the armies was to feed the civilian population and to take care of them and in due course the government concerned is supposed to reimburse the countries which do that. The Canadian army in common with the United States army, the British army and other forces thereby acquired the right to the recovery of substantial sums of money from the governments of these countries. Naturally, at the outset, we were unable to negotiate—and, furthermore, there was necessarily disagreement as to the amounts involved; so that as these things are being sifted out and straightened away credits are being placed to the credit of Canada in various banks in those countries. Now, on account of the exchange problems in those countries a provision associated with that money is that it must be spent in those countries. Those are the funds which are involved.

Q. Can you give us any idea of the amounts? The amounts may be quite large? Can you tell us what the intention was with regard to the use of those funds?—A. You would have to ask the department as to the intent, sir.

Q. What I mean is this; these amounts might really run into very large sums. Are they covered merely by reference in this way in this item which gives you no figure; or, would they later on come in and be shown and the purpose for which they were spent shown? Or is this intended to be the full authority to take these moneys and spend them on the authority of the department or the officers in those countries?—A. I would not say the department, sir; the governor in council.

Q. Yes; well then, the first part of my question is this: where would these amounts appear? Is this the last we see in here of this?—A. These amounts were not currently, I mean for that year, in the balance sheet of Canada. If you look at my report, paragraph 111, which is a short paragraph, and I will read it:

Canada's claims on account of military relief extended to northwest European and Mediterranean countries, totalling approximately \$67,000,000, are not recorded in the balance sheet of Canada.

Now, don't misunderstand me. While we claim \$67,000,000, the real amount can be substantially less. You would have to ask the Department of Finance for information as to the actual amount collected.

Q. It could be less than \$67,000,000 and still be quite substantial?

Mr. BROWNE: How much have we collected already, do you know?

The WITNESS: No, sir.

By Mr. Macdonnell:

Q. Can I come back to my first question. You say at the top there that these moneys may be used for the acquisition, improvement or furnishing of properties for Canadian government offices and residences in foreign countries, and so on. Let us say you make a very substantial deduction from that amount of \$67,000,000, it would still leave a lot of money; but what I understand you to say here is that that was not recorded in the balance sheet of Canada for the last year. Has there been any change since that time?—A. My belief is, yes; but I haven't seen the accounts for the end of this year, the year just ended.

Q. There are other questions with regard to the balance sheet which I have not learned to date, and this appears to be one of them. How soon can we get something from the Department of Finance on that, somebody here to answer that?

The CHAIRMAN: Probably at a later date if you desire the Deputy Minister of Finance or the comptroller might be called.

Mr. MACDONNELL: This might be a convenient place to ask another question. Are there any other items, other assets which are owned by the government which do not appear in the balance sheet? For instance, I have been looking for an item which I haven't discovered yet. You might be able to put me on to it. We were told in the House that the government owns an aircraft factory at Cartierville. Well, I have not had a chance to read all the report, but subject to correction, my recollection is that the statement was made at that time that that plant was owned by the government but was rented. Now, I wonder if you could tell us anything about it. I have not been able to find anywhere in the balance sheet anything about it. Can you tell us where to look for it? It is not in the balance sheet of Trans-Canada Air Lines. Where would it be?

The WITNESS: The practice sir, in a great many instances has been that when a public works is constructed by the government of Canada from an appropriation by parliament it is charged off to the expenditure for the year. It is not capitalized.

The CHAIRMAN: Which year did you mention, Mr. Macdonnell, what year would that relate to? Where would this commitment have been made?

By Mr. Macdonnell:

Q. I am referring to the year 1947 and I understand it is on the records of the House that this aircraft factory in Cartierville was a government asset and was in fact rented. Coming back to what you have said, do I understand you to say that these are paid out of current revenues. Where then do they appear?—A. The expenditure will appear annually in the public accounts.

Q. Where does this asset appear?—A. It doesn't appear any place, sir.

Mr. FRASER: Where would you find the annual rental commitment of \$200,000 a year?

The WITNESS: I speak subject to correction, but my recollection is that probably it was turned over to the War Assets Corporation.

Mr. MACDONNELL: Coming back to this submission, Mr. Chairman, I admit that I do not know much about accounts, but it does seem to me it is an extraordinary way to carry a valuable asset. Here is an asset. There are two points about it really; first of all, this is a foreign asset of many millions of dollars, and presumably unless we are very bad traders we are going to get something out of that \$67,000,000 and apparently plans have already been made to spend it. Are we not going to get any information about it?

The CHAIRMAN: These claims or assets of \$67,000,000 represent expenses which have been accounted for in the public accounts during the war. We have no say on this committee today as to the amounts that were spent by the Canadian army during the war.

Mr. MACDONNELL: That is right.

The CHAIRMAN: We have had a report as to when and how it was spent, it has appeared in the public accounts of the year to which it relates, and possibly when we had the public accounts for the year to which it relates you did not happen to take a look at it.

Mr. MACDONNELL: It has been reported as being spent but we apparently have no check except that we are hopeful of the honesty of our public servants. There is no check whatever, nothing to prevent the money being taken and misused in the most flagrant manner. Is that not correct?

The CHAIRMAN: I cannot see that.

Mr. MACDONNELL: How does parliament know anything about it, I mean the ordinary member of parliament? How do we know anything about it?

The CHAIRMAN: If and when it is collected, if we can recover the amount, it would necessarily appear in the current report of that year in which it was collected. It would be shown in that report as an asset. I do not want to enter into a discussion on finance with you myself, but if you will let me say a few words, I will give you all the time you want. Many private companies have assets which are considered as being hard to recover; I mean bad debts and so on. In a later year these accounts are written off. If that money is eventually received by the company, if the company succeeds in collecting these accounts, these items will appear in the books of the company in the year in which they have been paid as a revenue of that year.

By Mr. Macdonnell:

Q. Quite so. But nothing resembling that happens in our public accounts.—A. I do not think sir, that is quite a correct statement. I hope I did not mislead you, because I think the intent is that the comptroller of the treasury will report it in the public accounts whenever any buildings are purchased out of this money.

Q. You are talking now about the foreign moneys?—A. Yes, but you are now talking about the assets of Canada not appearing in the report. You must

bear in mind that some of the assets, which are very valuable, have no ultimate value. Let me give you an example. Suppose that the government of Canada decided to move away from Ottawa. If that happened this parliament building which cost \$20 million would not be worth a cent.

Q. Let us go back to our aircraft factory at Cartierville. That is not true about that case. That is an asset.—A. With regard to factories built during the war those are all set up as assets in the records of the Surplus Crown Assets Corporation. They are all recorded there and reported on to parliament. Those particular buildings you were talking about,—

Mr. ISNOR: Built during the war; that is the one at Cartierville?

Mr. BENIDICKSON: Can you identify it by the name of the present tenant if it is still owned by the crown?

The WITNESS: Canadair. Those buildings, as I say, were charged off in the war; that is when they were turned over as assets to be converted. Crown assets collects the rents and in due course will account for them, but generally you will not find in the assets of Canada any buildings whatsoever.

Mr. MACDONNELL: Well, where do we find that?

The WITNESS: You would find that in their annual report grouped under the various plants they have in hand for sale or under agreement of sale. They have quite a large number of buildings that have been sold and in which the sale price is payable by instalments. They administer those.

By Mr. Isnor:

Q. Mr. Chairman, I am not as bright or as well posted as the hon. member from Greenwood in regard to finance, but I am anxious about paragraph 111 which is a \$67 million item. Am I to understand that there is no record in any of the reports of the government in regard to an item such as this?—A. May I ask you a question in turn so that I am sure of what you are asking? When you say, "no record in any of the reports of the government," do you mean published record?

Q. No records of the crown company or any other financial records.—A. I am satisfied that the Department of External Affairs has records of them. I am satisfied that the Department of National Defence has records of them. I am satisfied that in all probability the Department of Finance has controlling accounts with respect to them, and I know the comptroller of the treasury has control of the bank accounts because cheques are drawn by the comptroller of the treasury in those various countries. So, when you ask if there are no records, my answer is that there are records. Whether they are published in any of the annual reports of the department I do not know.

Q. If I wanted to make an inquiry of the government in the chamber, could they not supply for public use information covering this particular item?—A. I would imagine so, sir, because I have a breakdown of my own at home.

Q. How would this item be shown in one of the accounts you referred to? Assets in suspense? Liabilities in suspense?—A. In that year it was not in the balance sheet at all.

Q. You are sticking to the balance sheet. I am asking is there not an item of this character shown in some of the financial reports of the government?

Mr. BROWNE: In the public accounts itself.

Mr. ISNOR: I will ask my question myself, Mr. Browne. I am a bit stupid perhaps—

Mr. MACDONNELL: Oh no, you are not so stupid.

The WITNESS: Let me be clear about the question you are asking, because I do not want to be misled and I do not want to mislead you. What you are asking me is: Has anybody got a record of this account?

By Mr. Isnor:

Q. That is right.—A. In my opinion there are records. Now, then, what is the next question?

Q. As to the classification, or the term which would be used to show that item. I have sometimes heard of items in suspense. Would it be in a suspense account?—A. Well, I would imagine they would set it up as accounts receivable, but I do not know.

The CHAIRMAN: May I ask a question, Mr. Sellar?

Mr. ISNOR: Just a minute, Mr. Chairman, I am on a third question. If that is so, then what was the purpose in particularly bringing this to our attention, in paragraph 111 of your report?

The WITNESS: Because I am required to certify to you that the assets and liabilities of Canada are as stated in the balance sheet, and I regard that these assets may not have a value of \$67 million but they have some value and I am bringing to your notice that they are not in the balance sheet.

By the Chairman:

Q. We have been dealing for the past few moments with two different items brought up by Mr. Macdonnell, one was this amount of \$67 million due Canada by foreign countries. That is the subject of one of these items in the report submitted to us today. Then Mr. Macdonnell took up another point and that was about that aircraft factory in Cartierville. May I ask a question, Mr. Sellar, referring to the public accounts report? Under War Assets Corporation, you have an item for surplus crown assets of the Dominion of Canada, page Y-92. In the year when that sale is made by War Assets Corporation to Canadair or any other company, would not the proceeds appear; maybe not in detail but under that item surplus crown assets of the Dominion of Canada?—A. The proceeds of the sale, whatever money is collected would be paid over to the Dominion of Canada. War Assets Corporation is entitled to a commission for its services, that is how it pays its operating expenses, but the net proceeds are the property of the government of Canada.

Q. Yes, under this item of surplus crown assets of the dominion. Would that item in that year include the building mentioned by Mr. Macdonnell?—A. I am going from memory but that building was turned over to War Assets Corporation and, assuming I am right, that would be in the total.

By Mr. Macdonnell:

Q. Where would the list of these surplus war assets be found?—A. In their report.

By the Chairman:

Q. It comes to our committee through a report in the public accounts of the War Assets Corporation.—A. No, they table a separate report.

The CHAIRMAN: But we have their balance sheet in the public accounts?

Mr. MACDONNELL: You have their statement apparently on page Y-90.

The CHAIRMAN: Page Y-92 shows the "Statement of Government of Canada net equity in the Trust Assets". Those assets, we know, are being administered or are held for sale. On page Y-92 is shown an item for the surplus crown assets of the Dominion of Canada. So in the year the sale is made, normally it should appear under that item. War Assets issues a separate report which we are not

called upon to study in this committee but since we have the balance sheet before us, we can call the officials of that corporation before us. I came back purposely to that because I would not like it to be circulated that these amounts are not included in the government reports anywhere. Let us refer to the public accounts for the year you think the building has been sold and look it up.

Mr. MACDONNELL: But do you not think it would be reasonable in this huge volume, which is supposed to give us a picture of our position, that it would be convenient and sensible to list these assets? I am only raising now a question of convenience.

The CHAIRMAN: You are asking me? If you want just my own opinion, I think if we had the details of all these crown corporations, it would require a very large volume indeed, but I have no objection to call these crown corporations to discuss their figures which are in their reports.

Mr. MACDONNELL: I want to refer back to this item on the top of paragraph 111.

The CHAIRMAN: My own point in speaking on this was to dispel the idea that these figures could not be obtained anywhere. They are somewhere and we have a right to bring them before us.

Mr. MACDONNELL: You are making an assumption.

The CHAIRMAN: We have it in black and white, but in the report for the year it was sold.

Mr. MACDONNELL: When you say you have it in black and white I think you are assuming.

The CHAIRMAN: We have the total. These people are responsible; they do not subtract from the total. Their books are audited.

Mr. MACDONNELL: Going back to the item at the top of page 11, the auditor general thinks that there is a record of that and I have no doubt of it either, but it still remains a fact, as I see it, that after this is passed, the situation is just as he describes it, that after passing the item we have passed some legislation also because from that point on, we have no control of any kind over the disposition of that money. They can spend it in any way they like, and here we have a substantial sum of money involved.

The CHAIRMAN: Let us consider a deal that they are contemplating. I understand that at The Hague there was a building that was given over to the Canadian government by the Dutch government in part payment of some debt that the Dutch government owed to the Canadian government. I do not know whether it is in the record, but if that payment was accepted, that fact would appear in the report of that department.

Mr. MACDONNELL: What I cannot understand, Mr. Chairman, is that here in Canada we exercise a considerable amount of scrutiny over a building costing \$100,000, but here we are spending millions and exercise no scrutiny whatever. Now, why should it be that way just because that money is being expended on the other side of the Atlantic? There is something I have not been able to understand.

The CHAIRMAN: These assets cannot be collected in total, that is an impossible thing, and whatever we can get for them, which ever way we can get it, is a good thing. The main point is that it would have to be reported on by the department.

Mr. WRIGHT: But the point is this: we have no control over the expenditure.

The CHAIRMAN: You are called to vote on that when you consider item 67 of the estimates.

Mr. WRIGHT: But if we were going to purchase an embassy in France, parliament should vote that amount for the embassy.

The CHAIRMAN: Under this we simply vote a \$1 item and on the basis of that one dollar item we may use these blocked currency funds. There may be collected only \$50 million of the total \$67 million. If we collected only \$20,000,000 it would be a success.

Mr. WRIGHT: But it is \$20,000,000 over which we have no control. Whether we buy a \$1,000,000 building in Paris or Yugoslavia or in any other country, it seems to me that parliament that a department has only the right to spend a certain amount in those countries. We should not say "Well, here, we are giving you a blank cheque to go there and buy anything you want"—that is going too far.

The CHAIRMAN: I cannot agree that it is a blank cheque.

Mr. WRIGHT: It is, if we are giving the people in external affairs the right to carry on negotiations to try and secure part of a debt that a certain government owes us, and which we have written off in our books.

Mr. BENIDICKSON: As I understand it we have not written them off. I think we have entered into formal agreements with them to forsake a certain part of those debts.

Mr. ROBINSON: Would there not be some question as to Canada's legal right to collect those amounts in view of the fact that, as I understand it, at the time some of these moneys were advanced there was no civil government in the country concerned? Would there not be a question as to whether Canada had a legal right to collect those amounts?

The CHAIRMAN: I think that most of the amounts were recognized by the governments concerned after negotiations.

Mr. ROBINSON: Subsequently.

The CHAIRMAN: Yes; there were agreements between the government of Canada and certain other governments about the amounts that would be recognized as owing.

Mr. ROBINSON: That would be subsequent recognition?

The CHAIRMAN: Well evidently, because although there might not have been civil governments when the moneys were paid out, agreements were entered into between the government of Canada and the governments of these countries concerning the amount that the government of Canada claimed.

Mr. ROBINSON: But we had nothing until that recognition took place.

Mr. LANGLOIS: The recognition only took place a few months ago.

Mr. MACDONNELL: There may be all kinds of difficulties in connection with collecting but the plain fact is that we did get the amounts.

The CHAIRMAN: Did we?

Mr. MACDONNELL: Yes, Mr. Sinclair was over getting money and I understand that he got quite a lot. What I am complaining about, or rather asking about, is that so far as I can see, when we got that money, we have by this appropriation—or whatever the proper word would be—put it out of our power to have any control over it. The money is now under the control of the Department of External Affairs, and, although they may be very wise people in making business deals that is not their business.

I say that I am completely unanswered on the point Mr. Wright makes—why we should not follow the same basic principle in Europe that we follow in Canada. They are the same kind of people over there; although it is not the same kind of money, it is, after all, money.

The CHAIRMAN: You say that a substantial amount of that \$67,000,000 has been paid to Canada. Let us ask the Auditor General if he knows the actual share or amount of that \$67,000,000 which has been paid to Canada or deposited to the account of Canada in foreign currency abroad?

The WITNESS: You have put me in an awkward position because you are asking me for my memory of the accounts of 1948-49. I do not recall the state of the accounts then but I know that we have got money since because the comptroller told me that he had trouble getting cheque forms from one country —they had been lost—but they have turned up and I assume we have received money. As to the particular amount I do not know, because I have not got the balance sheet.

The CHAIRMAN: The public accounts were before the committee last year but no such questions were asked.

Mr. BROWNE: The same amount was voted last year.

The CHAIRMAN: We sat last year.

Mr. MACDONNELL: We did not have much time last year, you will recall.

Mr. FULFORD: I understand that certain of these countries' debts to the United States were completely written off. However, I understood that settlement with us was to be made in local currency and the understanding was that the money should be used for the purchase of assets in those countries.

Mr. MACDONNELL: There is no dispute about that; that is what it says here.

Mr. WRIGHT: But why should we give a blank cheque in the case of a particular country, which will, in effect give somebody the right to buy so much—

The CHAIRMAN: If we are in the process of negotiation, in a particular country, it may be that we do not know how much a certain building is going to cost. To that extent there must be a blank cheque because it is not known whether the proposed building will cost \$25,000 or \$150,000.

Mr. WRIGHT: When we spend money on the purchase of an embassy in a foreign country we should put a limit on the amount for the particular embassy. If we do it this way we put no limit except perhaps the amount that stands to our credit in that country.

The CHAIRMAN: It cannot be done in any other way but with that currency.

Mr. WRIGHT: Parliament should at least limit the expenditure.

Mr. LANGLOIS: With the fluctuation of foreign currency I do not know whether you would be able to vote an exact amount because you do not know what the cost would turn out to be in the long run—as a result of the fluctuations of foreign currency.

Mr. ISNOR: I wonder if the witness could answer this question—with all due respect to yourself, Mr. Chairman. It might enlighten us if he gave the background of the conditions of the loans, when they were first made, and the conditions under which they are likely to be collected.

The CHAIRMAN: They were not loans?

By Mr. Isnor:

Q. Advances then.—A. The situation is that during the war there were several armies involved in the freeing of Europe. Canada, as one of the countries, was regarded as being responsible for a certain percentage of the amount—my recollection is it was something like 5 per cent—and we will say that was the figure. Therefore, when the total was established, we then became entitled to 5 per cent of what might be recovered.

Now, as was stated, I do believe that the United States has written off certain of the amounts owing to them. I do not know that for a fact but I have read it in the papers. Then, the various countries concerned negotiated agreements with the debtor countries. These things take some time to work out. I should say that there was no agreement at the time except that these things are covered by military law. When a country is freed, the people concerned are supposed to reimburse those who helped them recover their freedom. If you are thinking, Mr. Isnor, in terms of a bond or anything of that sort—

Q. No, I am not. I just wanted you to put on the record the purpose of those advances. My second question is as to the likelihood of repayment and whether negotiations have recently been carried on for the purpose of procuring a refund of those amounts?—A. Well, speaking without specific knowledge, I am satisfied that external affairs and the Department of Finance are carrying on negotiation constantly to try and recover as much as they can—but you would have to ask the question of those departments.

By Mr. Wright:

Q. I thought some of those funds resulted from the sale of physical assets of the Canadian army at the close of the war?—A. I think we had some black market currency that we had accumulated at the end of the war. I covered that matter in my report a number of years ago.

Q. Are funds resulting from those assets included here?—A. No, sir. The answer to your question is that the Netherlands government for example, purchased certain trucks we had there. They paid for those out of their loan. You remember that you passed legislation a few years ago authorizing loans to the Netherlands and I think that was taken as cash under the authority of those loans—but I would have to check that.

The CHAIRMAN: Shall we revert to item 17—are you through with that?

Mr. MACDONNELL: I am content to revert to No. 17.

The CHAIRMAN: Are there any questions on items 17 to 20?

Mr. MACDONNELL: I want to know where we stand. We have been discussing this item and I will repeat, if you will allow me, it will only take a moment, what is reported under paragraph 17—

A matter of particular constitutional concern is the practice of legislating by means of items in the Appropriation Act. That is, by phrasing the text of an item, parliament enacts in a manner to exempt from or override existing legislation, or, in effect, to add to statute law. An example is Item 67 (quoted in paragraph 15 above). The \$1 is inserted in order that committee of supply has an amount on which to recommend adoption of a resolution, but the real money to be employed consist of bank balances in various countries. Ordinarily, those moneys would be subject to appropriations as are all other balance in Consolidated Revenue Fund. The effect of this item will be to vest in the Crown a right to use the balances, as he sees fit, in procuring and furnishing buildings and residences for diplomatic purposes.

My feeling is this committee should have something to say about it—I feel that it is all wrong. If I am incorrect, however, I am ready to be set right.

The CHAIRMAN: It will be proper when we are drawing our report for you to point the matter out to your colleagues and to win recognition of your point. Today we are asking the witness to give his views—now let us ask the witness.

Mr. MACDONNELL: The only reason I ventured to read that is that it seemed to me that we were not all in unison as to what is meant. If everyone had the correct grasp of Item 17 as it stands, then it makes a very strong submission on which I hope we will act.

The CHAIRMAN: Have you any more questions to ask?

By Mr. Fraser:

Q. There is nothing in the report to show that these buildings, or residences which external affairs might buy in foreign countries, are among the assets? There is nothing in the report at all?—A. No, sir, it is not the practice to take them in as assets.

Q. Even if they are in foreign countries?

Mr. BENIDICKSON: It is not the practice to put them in this volume but you said that there would be accounts receivable lodged either with the Department of Finance or with the Department of External Affairs until it was decided whether the amount was uncollectable or until it was settled?

The WITNESS: Yes.

Mr. FRASER: All right, then, if one of the properties is sold you say that the money is shown as revenue of the department?

The CHAIRMAN: If which building is sold?

Mr. FRASER: A building in any foreign country.

The CHAIRMAN: If we get it out of that government by way of these moneys?

By Mr. Fraser:

Q. Even if you do not get it out of these moneys; if a building was sold by external affairs because they thought they should have another what would happen to the money?—A. That would be deposited to revenue and spending of it would be only by appropriation—subject to authorization of parliament.

Q. But it would not show where the money came from?—A. Yes, it would be shown in the breakdown of the Department of External Affairs as proceeds of sale and, on a big item like that, they would explain what it was.

Mr. ISNOR: No portion of that \$67,000,000 is mentioned in paragraph 11 in your report?

The WITNESS: No, that is a different thing.

By Mr. Langlois:

Q. Mr. Sellar, is it not a fact that at the time this vote mentioned in paragraph 15 was presented to parliament, Canada had not obtained recognition of the debt from the governments concerned? In order to be able to use this money to buy materials or to buy buildings in the foreign lands, it was necessary to obtain from parliament permission to use the money. Is not that the reason why the vote was worded that way?—A. Well, sir, you have to keep in mind this particular memorandum which you have before you, which deals with the practice of putting items in the Appropriation Act. That is what I am dealing with, namely, with items in the Appropriation Act. Now then, these particular transactions are abnormal. Do not let us confuse the situation. As I say, these particular transactions are abnormal and if you look at the appropriations of the government of the United States you will find a similar item in regard to their State Department. But the whole effect of your discussion shows what I was after when I referred to this thing. This sort of item can produce various angles apart from the financial. There are also standards items. Take paragraph 20, where I refer to you the annual practice of putting in a supplementary item to take care of those members who were absent by reason of illness or official business. Rather than do that I think it would be better to amend the House of Commons Act and make it standard procedure, then you would not need to override your Act. This procedure is very convenient in ninety-nine cases out of a hundred; but there may be that one hundredth case which presents a little problem to you.

Personally I would like to see the Appropriations Act cleaned up a little, because we have to keep going back looking for votes for our authority. Authorities can be so phrased that there is a continuing enactment. It is the amount not an Appropriation Act item which dies at the end of the year; it continue to live.

Q. Was it not necessary before all these transactions were consummated with these foreign countries to have such a vote in the estimates?—A. You would have to ask the Department of External Affairs as to that. From the financial point of view, I would say no. I cannot see where it would enter into the financial point of view, except that we might be put in a better bargaining position. But again, that would be policy as to which you would have to ask the Department of External Affairs.

By Mr. Croll:

Q. I do not think that is his point, Mr. Sellar. His point is an altogether different one. He points out that no department of government had any authority to consummate any deal with these other governments until it had got authority to do so from parliament. Is not that a fact?—A. I do not think so.

Mr. LANGLOIS: Yes, authority to use the money for that purpose.

By Mr. Croll:

Q. All right, that is it. What do you say as to that, Mr. Sellar?—A. I think he is right.

Q. Is it not a fact?—

Mr. ISNOR: And good business too.

By Mr. Croll:

Q. Is it not a fact that at the time we lifted this mythical figure of \$67 millions, we had claims against us from these other governments which were, perhaps, in excess of the \$67 millions, offset claims?—A. If so, I have never heard of it, sir. You might elaborate?

Q. Did not the Dutch government have an offsetting claim against us for a large sum due to the black market activities which you referred to.—A. No. They just refused to honour.

Q. Put it your way. The Dutch government merely said: You claim from us a certain number of dollars. We claim from you a certain number of guilders, and we are about even steven. And it was necessary for us to negotiate from that point?—A. My recollection is this: At that time there was a lot of trafficking in Dutch guilders, or whatever it was, and the Dutch government decided to clean up the situation and issued a new money unit, and allowed only a certain number of days for conversion in to this new unit. I think we said to them: You should accept more of that stuff for conversion.

By Mr. Isnor:

Q. There is another transaction which you mentioned, I think, a transaction dealing with trucks. As I recall it, that country questioned the merits of the transaction and claimed that they did not receive the trucks which were intended for them. There was a trade with another country which required a settlement, so because of this vote, they were able to carry on negotiations and finally to reach an agreement or settlement which was to the benefit of Canada. Do you recall that?—A. I do not know.

Mr. JOHNSTON: By what amount did it benefit Canada? I mean, what financial amount? I do not think it is shown in the public accounts?

Mr. ISNOR: I think it will be there, in time.

Mr. JOHNSTON: It may be that Mr. Sinclair could answer the question.

Mr. SINCLAIR: I am a member of the committee, and I have been trying to keep up on this matter. These were not formal loans to begin with. They were actually part of our war effort. It was always the obligations of a conquering army to feed, and to give succour to the people they conquered, with the expectation that at some future date, if these countries could make payments, that the three contracting countries—I should not say "contracting"—but the three supplying countries, the United States, the United Kingdom and Canada would assert their claims. My recollection is that the Americans abandoned most of their claims two years ago. The British got what settlement they could during the last twelve months; and then we tried to get settlement from these countries of what were not formal commitments but were part of our war effort. The instructions of the government were to get all we could in dollars, and to bring them back to this country. But if we could not get dollars, then we were instructed to do the best we could in local currency.

Mr. JOHNSTON: Would these dollars show in our public accounts?

Mr. SINCLAIR: They will show, eventually.

Mr. JOHNSTON: But do they show with respect to any settlement which has already been made?

Mr. SINCLAIR: The only settlement, which was achieved some year or two ago, was a joint settlement with the Dutch in respect to the guilder question, and I think the marketing question was handled at the same time. Neither of them was in the class of formal agreements. Our troops had these forty million odd guilders which they had acquired in Holland, and the Dutch did not regard them as properly redeemable. So we effected a joint settlement with the Dutch to dispose of the claims, both, as a natural sequence of the war.

By Mr. Johnston:

Q. Will the amount that we do receive in that case show in the public accounts here? Does that show in the public accounts?—A. It will show, Mr. Johnston. If it does not show now, it will show.

Mr. SINCLAIR: It will be another year before the settlements are effected. The last two or three months will show that some countries have already concluded the settlements agreed on while others are in the process of conclusion. The aim of the government when they sent Mr. Reid and me abroad was to get all the dollars we could; but if we could not get dollars, then to settle for local currency.

The CHAIRMAN: As much as you could get.

Mr. BENIDICKSON: I do not think anyone quarrels with the procedure as to the settlement of the debt. But the important point in my mind is that there should be two steps in place of one. What Mr. Wright has in mind, I think, is once that statement is made, there should be a further item in the estimates showing what External Affairs—or whoever it is—proposes to spend the money for, that is, for what certain purpose. We might spend that money in a foreign country more easily if we knew that we had currency there and that we could not do anything else with that currency. But what I think has happened is that parliament is not being asked, specifically, to say they are prepared to spend this money in a certain way once it has been settled.

Mr. WRIGHT: I understood that a certain amount of this foreign currency was used for the purchase of embassies or buildings in certain of these countries. But we as parliament have never made any vote to the department of External Affairs for the purchase of property in other countries. So it seems to me that the business-like way to do the thing would be for parliament to make a vote.

External Affairs could come to parliament and ask for a vote, and once they have got their vote, they could use this money. But we have put \$1 in there and we say to them: go ahead; you can spend any amount to our credit in these countries without any limitation except that of common sense which, I expect, the parliamentary assistant would use. But common sense is not business. There should be a right and a wrong way of doing this.

Mr. SINCLAIR: I had nothing whatever to do in any way at all with the purchase of any buildings, equipment or anything else. I was sent over there to get as much as possible in dollars preferably, and if not in dollars, then in local currency. But there are many of these countries which have no dollars except ECA dollars, and I do not think the Americans would permit them to be used for the adjustment of these rather doubtful claims. How can you best realize for the Canadian people these accounts in terms of lira or other currencies, when there are such fluctuations? The people themselves in those countries think that the best way to protect themselves against devaluation is to invest in real estate; and I think the Canadian government is not unwise, where they have blocked currency, to put it into something which will hold its value, no matter what happens.

Mr. FRASER: I do not think anybody has said it was unwise to invest in real estate, but rather that we should not do so without the knowledge of parliament.

The CHAIRMAN: It comes to the same point. The vote of \$1 was made because we did not know the amount involved in blocked currencies and it was a way to signal the deal to Parliament.

Mr. CROLL: Mr. Fraser says "without the knowledge of parliament". Now I have the estimates for 1951 here, and I think that the questions asked could have been asked in the House of Commons with respect to item 67, and answers would then have been given, if answers were available. I think it is page 10 of the estimates.

The CHAIRMAN: That is it exactly.

Mr. CROLL: They begin on page 10 with item 67. All that is available to the members.

Mr. MACDONNELL: Did you ever hear of such a thing as a majority which votes things through?

The CHAIRMAN: Well, Mr. Macdonnell, you can stand up in the House and ask any question whereupon the minister will have to answer, otherwise he will look as if he did not know his business.

Mr. MACDONNELL: And that section giving wide open power would be passed. That is what we are questioning.

Mr. CROLL: But the majority is right.

Mr. MACDONNELL: I am not going to assume that the majority is always going to proceed to follow a bad system. The auditor-general has pointed out to us something in the Appropriations Act which he, in his opinion, and quite legitimately so, considers to be a bad thing. I am hoping that nothing which has been said gets away from the fact that the auditor-general has pointed out to us something in the legislation which he considers to be bad. Nobody questions that.

Mr. LANGLOIS: Do they not have something by way of a similar vote in the United States? How do they cover that, do they not have a similar vote?

The WITNESS: I have no idea.

Mr. SINCLAIR: That is just the same way as the Americans do it. Everywhere we went over there we found them occupying properties they had

acquired by purchase out of moneys of this kind. That was about the only way they could get anything of value out of those credits and it was out of those funds that these properties were acquired.

Mr. FRASER: Is this the same item, No. 67 there in the estimates for 1951? Does that give the expenditure?

The CHAIRMAN: That is the same item, exactly.

Mr. FRASER: Yes, and I think the whole thing about that, Mr. Chairman, is the fact that when a member sees an item like that with the entry \$1, it is something to ask for a little information about. You see the entry there is just \$1.

The CHAIRMAN: Assuming that you are always your alert self, I am quite sure that when you see an item of that kind in the estimates at \$1, you would lose no time in asking the minister for a full explanation. You will see that; you will ask a question and I assume you will get an answer.

Mr. LANGLOIS: Obviously, you won't get a building for a dollar.

Mr. CROLL: In the future we may assume that Mr. Fraser will be very suspicious of dollar items.

Mr. FRASER: I am always suspicious of dollar items.

BROWNE: Can you give us any other illustrations? You have said that this was an exceptional case, the one you referred to in your paragraph 18. Can you give us any others?

The WITNESS: I think there is item 65, that is for representation abroad.

The CHAIRMAN: No, that would be item 66 on page 9.

The WITNESS: Yes, in 66—you will see the appropriation there.

The CHAIRMAN: Gentlemen; order, please.

The WITNESS: And down toward the end of the text you will see this, "Notwithstanding anything to the contrary in the Civil Service Act or any of its amendments". That has been in there for the last thirty years and I think it is a sensible thing to have in there.

Mr. BROWNE: You will see further information on that item on the next page, and I see that comes to \$165,000; is that in Canadian funds?

Mr. FRASER: Yes, and there is an item there on page 114 which contains these general terms—

The CHAIRMAN: I am sorry, that is outside the scope of item 67? Does your question relate to the paragraphs now before us for consideration?

Mr. FRASER: I refer to item 65.

The CHAIRMAN: Item 65 is for passport office administration.

The WITNESS: As to that \$165 000 to which you referred, that is in Canadian dollars.

Mr. BROWNE: Those are the only two illustrations of which you know?

The WITNESS: I could give you a lot of illustrations. You see, I have opened the book at page 9, vote 63. You will see there that you are authorizing \$2,000 additional to the chairman and two members of the Civil Service Commission over and above what the Civil Service Act right now says. If you want me to go through the book I could point out a lot of cases of that kind to you.

Mr. MACDONNELL: That is the only illustration of salaries being increased in that way?

The WITNESS: That is an increase in salary of \$2,000 a year.

Mr. BROWNE: That goes on every year?

The WITNESS: That is a matter for the government to decide when it brings down its estimates, sir.

The CHAIRMAN: Have you any other questions on items 17 to 20?

By Mr. Macdonnell:

Q. This raises I think the whole question of statutory appropriations which I think cover now about \$1,100,000,000 and I wonder if Mr. Sellar has any general observations to make on that. I realize that there are statutory provisions—interest on the public debt and so on. I was wondering if there are other similar items and if you would like to let us have a list of them? For example, I believe that we still pay out sums—whether they are wise or not I do not know—for the International Waterways Commission which was authorized twenty or forty years ago by legislation. I mention that just as an example.—A. That is the only one. That was our first international body and parliament in its wisdom appropriated in some detail in that Act. For example, it fixed the maximum salaries to be paid to any of the commissioners, the total maximum amount that could be spent under this authority, and the maximum salary that could be paid to the secretary, all of that is set out in the Act. Well 1910 and 1950 are forty years apart, and so as to permit of appropriate adjustments it might be a convenience if that Act could in some way be revised and provision made for financing out of annual appropriations. There is a maximum of \$75,000 that can be spent in the year under that. Some years ago when we had the famous Smelter's case a special vote was taken to cover the excess cost that year. I think in due course that Act will have to be opened up and some changes made in it, but that is the only one I can think of offhand.

Q. Do you not think if that were not statutory, it had to be voted every year, that that would open the whole matter up for discussion, the whole matter of waterways; and that that might be of interest, that it might be worthwhile having that discussed? I raised that question once.—A. My reply to that, sir, is that it can be raised on the vote for External Affairs, because that is what it comes under.

Mr. CROLL: Is that the only vote you can remember that took legislative form over forty years ago?

The WITNESS: No, there are some others; there are two others. We in the Civil Service never want to give up our rights to spend money, sir.

Mr. FRASER: Are there other votes which are governed by legislation which were passed by parliament?

The CHAIRMAN: Mr. Fraser, does that come under the items 17 to 20 which we are now discussing? If not, we agreed to deal with those items now and I think we are bound to follow out the procedure which the committee decided upon. We are now on the items from 17 to 20 inclusive. If your question does not deal with those items we will come to it at the end of this brief when the whole matter will be open for general discussion of any matters of interest which may arise. I do not think at this point any matter should be brought in which does not relate directly to the paragraphs under consideration.

Mr. FRASER: This deals with legislation, and I just wondered what Mr. Sellar had to say about it.

The CHAIRMAN: As I said, if it does not come under the items 17 to 20 inclusive, it is not in order at the moment. I think we have finished with items 17 to 20 now. Shall we go on to item 21? Are there any general observations you would like to make on item 21, Mr. Sellar, before the general discussion opens?

The WITNESS: No, Sir.

The CHAIRMAN: Have you any questions, gentlemen, on item 21?

Mr. FRASER: Wait now, Mr. Chairman, I think my question comes under item 17.

The CHAIRMAN: Under item 17; let me take a look at that, please.

Mr. FRASER: It comes under that item.

The CHAIRMAN: You mean that you want to deal with one of these votes by legislation; you mean that appropriation of money in that way by-passes government responsibility?

Mr. FRASER: Well, not in this case, it does not even come to parliament.

The CHAIRMAN: Well, this paragraph 21 is the last item in Mr. Sellar's submission. I suggest that we go on and deal with this paragraph 21 and then after that has been disposed of we will be open for general discussion.

Mr. FRASER: All right.

The CHAIRMAN: Have you any questions, gentlemen, on this item?

Mr. MACDONNELL: Yes.

21. Revenue Producing Services: Earlier in this memorandum reference was made to the British Public Accounts and Charges Act which was adopted in 1891. The causes which prompted its adoption, in my opinion, now exist in Canada. It requires only a cursory comparison of Estimates of forty years ago with those of today to appreciate that the evolution into what might be described as the Public Service State has resulted in a tremendous expansion of governmental activities into categories which are commercial in nature. For that reason, it is suggested that the long-established rule that Revenue may not be used until appropriated may merit review. Parliament might be in better position to evaluate the necessity of various Estimate items were service income directly associated with expenditures resulting from performing the services. A ready illustration is the Post Office. Items 269-274 will appropriate \$85,662,757. Practically all of that will be applied in providing services for which the public makes payment. The result is that Post Office is generally self-supporting. For this reason, the interest of Parliament is not so much in the millions handled, but in the anticipated profit or loss. If the profit may be substantial, the charges to the public may merit review; if a deficit is forecast, the efficiency of the Department is at issue. Consideration might be given to evolving a new method of financing such activities. If a practicable solution is found, it should encourage officers to make servicing activities self-supporting in order that continuance, and perhaps expansion, of the work be assured. It might also bring to light some services which departments consider important but which, when tested by public willingness to pay for, might be found to be unnecessary. The proposal is not original; as stated in para. 8, a plan has been in operation in the United Kingdom since 1891. The English plan may not be the one Canada should adopt, but their experience provides a starting point.

Mr. MACDONNELL: I would like Mr. Sellar to make one or two general observations about that. I presume that this includes Crown corporations, and I presume it would include also the Post Office department. What are the other revenue producing services?

The WITNESS: Well, there are a lot of them, sir. I scribbled down on the edge here some of them because I knew somebody would ask that question. Some of them are big and some are small. There is the weights and measure service; trademarks, patents and copyrights; the Board of Grain Commissioners; such activities as community pastures, P.F.R.A.; there are the various inspection services of the Department of Agriculture; there is the passport office; the mint;

there is the sale of fur seals, which the Department of Fisheries gets; there are the law reports of the Supreme Court and the Exchequer Court; there is administration of towns such as Banff and Jasper where we provide all the municipal services; there is the money collected in connection with sick mariners, and the payments that we make for sick mariners; there is the *Canada Gazette*; there are the drydocks which the Department of Public Works operate; there are the various agreements where the R.C.M.P. provide police service for the provinces in return for payment; there are the grain elevators operated by the government; there is the cost of the gas inspection service of the Department of Trade and Commerce; there are the airports, such as Malton and Dorval; there is the inspection of steamships carried out by the Department of Transport in return for fees; there is the government telegraph service—that is the group that I wrote down, I did not try to make an exhaustive list.

Mr. LANGLOIS: What about the National Harbour Board?

The WITNESS: That is a separate body entirely.

By Mr. Fraser:

Q. Take the Post Office Department, Mr. Sellar; is it your opinion that the Post Office would be a paying proposition if it had to pay for the buildings it occupies?—A. I do not know, sir, because nobody has ever calculated what the value of that is.

Q. Don't you think some record should be made of that so that they would have a better idea of what the service costs them?

The CHAIRMAN: The Public Works would have a record of that.

Mr. FRASER: I know, it is done by the Public Works, but we never have an opportunity of finding out what that costs the department or the country. Of course, Public Works builds the buildings.

The CHAIRMAN: When that was up for discussion the other day the arguments brought forward were that no department should be given permission to erect any buildings except the Public Works Department and that they should be the ones to keep them up. Now you want the Post Office Department to be accountable for them, to pay for the space they use, the buildings they use, and to show that cost in their balance sheet.

Mr. FRASER: I know the Public Works Department erect them and take care of them, but I think there should be a charge against each department for that kind of service, particularly in the case of the Post Office Department, so that we could have something more like a true position of the cost of the postal service.

The CHAIRMAN: What is your question to Mr. Sellar on this point?

By Mr. Fraser:

Q. I asked him if he thought that the Post Office Department should be charged a rental for the space they use and show that in their balance sheet right across Canada so that we would have a better picture of what our postal service is costing us in that respect.—A. The answer might be this, sir. The Post Office Department probably would object to paying rental for buildings they are required to use, buildings which are not constructed for the purpose but rather for the beautification of the local community; they might say that the postal service could be carried on in a much cheaper building. On the other hand the Post Office Department has a claim against the other departments amounting to some \$4,000,000 a year for mail that is franked, and that would cover that. As I say, I have no idea how it would work out, but I think some scheme could be devised which would be encouraging to the Post Office Department.

Q. Would it not be helpful to the Post Office Department to have some kind of an account where they would know directly the cost so that they would know their overhead? One reason I say that is that I note from the public accounts here an item relating to the National Film Board. They have cut their overhead from 10 per cent to 5 per cent and that is indicated as a 5 per cent saving. How do they know that it is 5 per cent or 10 per cent or 20 per cent or 30 per cent if they do not know the cost of the building and what was paid for it?—A. I will speak about my own department, so nobody can complain. I have got free occupancy of space owned by public works, and it does not worry me at all. If I had to pay for it, I would be more careful about my space.

By Mr. Johnston:

Q. Let us take the case of the post office in Calgary. There are offices in this building that are rented out. Does that revenue from the renting of these offices go to post office or to public works?—A. It comes back to the receiver general.

Q. It does not show up as a revenue for either the post office or public works.—A. It will be reflected in the revenue of public works.

By Mr. Sinclair:

Q. Let me put a simple question to you, Mr. Sellar. If an accounting were given of the public works space provided to the post office and the post office showed a deficit, how would the post office make up that deficit in future years? What would they do?—A. You are speaking now of inter-departmental relationship?

Q. No, Mr. Fraser was suggesting that the post office be put on a business-like basis and pay for their space. I say, if they did pay for their space, it would be shown they were running at a loss so the post office, not wanting to run at a loss, what would they do?—A. They would come to parliament for an appropriation.

Q. Would it not be that they would charge more postage for our letters?—A. I think that is quite obvious.

Q. Which would mean that the people of Canada would be paying for the space. So it gets down to an academic problem as far as a public service department like the post office is concerned, as to whether the people of Canada pay directly through increased postage or indirectly through appropriations.

Mr. CROLL: A lot of poor people would pay for it.

Mr. BROWNE: I want to ask a question in relation to post offices. Do not a lot of post offices belong to private people and the government has to pay rent for them?

The WITNESS: There are categories of post offices where the postmaster is paid out of the fees of his office and he is required to supply his own accommodation.

By Mr. Croll:

Q. Those are sub-post offices?—A. The small ones.

Q. Are they city post offices?—A. Not only in the city but more in the country.

The CHAIRMAN: The rural districts are all operated that way.

Mr. SINCLAIR: There has been a great change in the last year or so. Almost but not all country postmasters are paid a salary and their accommodation is rented by the government.

Mr. BROWNE: But a portion of his remuneration is specified as being rent?

The CHAIRMAN: And his rate of salary is based on the revenue of that post office.

By Mr. Isnor:

Q. Mr. Sellar, would you enlarge on your item regarding public services, say the R.C.M.P.? They receive a certain revenue. How is that shown?—A. That revenue now is deposited as revenue. What I am thinking of is this. This whole idea pivots on the idea that why should we appropriate more money and show our expenditures higher than they actually need be when we could offset. Let us take the province of Nova Scotia. There is an agreement with the province of Nova Scotia by which the R.C.M.P. provide so many constables at such a rate a year. My idea would be that you would not appropriate the pay and allowances for these R.C.M.P. constables in the R.C.M.P. vote. Instead, the money that the province of Nova Scotia pays would be credited to that vote.

Q. Would you not get a clearer picture by charging up the full amount and crediting the amounts received from the various provinces?—A. That is the way it is done now.

Q. Does not that give you a clearer picture?—A. It sort of inflates your revenues and your expenditures. That is the only reason.

Q. At first glance it might.—A. The R.C.M.P. is not the best example that I could use by any means. I am talking of a commercial thing rather than this.

Q. Would you take another one? You mentioned the R.C.M.P., and that is why I picked it out.—A. Take weights and measures, gas inspection service. They are self-supporting services. They do not cost the tax payer a cent. Nevertheless you have to appropriate \$300,000 a year, and the \$300,000 comes in on that revenue. \$300,000 plus some other money comes back to the government and we show an operating surplus in that particular department.

Mr. SINCLAIR: The net effect of that, spread over all government departments, would actually be to lower the real picture so far as both revenue and expenditures were concerned.—A. I think it would, sir. Remember I am here discussing how to improve your estimates so as to bring to light the services which are not self-supporting but which might become self-supporting.

By Mr. Anderson:

Q. In what way would the grain commissioners show a surplus? I do not know much about them, but I am interested to know how they would show a surplus?—A. They have a revenue from their grain inspections and so on. I think in their average year their revenues run close to \$1½ million dollars.

Q. Who pays that?—A. The people who ship carloads of wheat.

Q. Yes, the farmer who ships the grain pays \$2 per carload. Would you answer the same question with regard to community pastures?—A. Under the P.F.R.A. there have been a large number of pastures opened in the prairie provinces which are operated by the Department of Agriculture. My understanding is that each man pays so much per head for the use of that pasturage and they derive a revenue of approximately \$175,000 a year from that source now.

Q. Would that revenue be over and above all expenses?—A. The expenditures are separate; they are not matched against each other now.

Q. I see. So you could not really say then that that much profit was made out of community pastures?—A. No. My argument is that if these two were matched together you would see if community pastures were paying well or not paying well.

Q. As a matter of comment, Mr. Chairman, I think it would help if we could have some system whereby we could compare profits against losses? The picture might be a happier one in some cases if we could do so.

The CHAIRMAN: I am told that the committee two years ago, under my chairmanship, recommended that to the government.

Mr. JOHNSTON: Maybe we had better recommend it again.

Mr. MACDONNELL: And they did not accept your recommendation?

The CHAIRMAN: Many recommendations are still under consideration. Have you any other questions on this item?

By Mr. Macdonnell:

Q. I have one question to ask, it is sheer curiosity. How is it that Banff and Jasper come under government supervision? As I say, that question is asked out of sheer curiosity.—A. The Banff and Jasper parks, in particular, are part of the national park system in which all land is owned by the government of Canada; nobody owns the site on which their building stands. They pay a ground rent. We supply the water, lights and garbage collection and various other services. We collect the business licences. To operate in these places there is a small council appointed but generally speaking the control is under the Department of Resources and Development. That is why I said it might be of interest to know how we are coming out when we are running communities like that.

Q. It is a case of the government retaining ownership of all lands.

Mr. ISNOR: If the change were made in connection with public works as regards renting space to the various departments, would it not add very greatly to the office machinery to control affairs?

The WITNESS: That, sir, is just a matter of opinion that I can express. My opinion is, it would add to your cost, of course, but on the other hand I think it would cause departments not to be so demanding in space, there might be a saving in rent and things like that in some other direction. But, again, that is just opinion.

The CHAIRMAN: Any other questions, gentlemen.

Mr. FRASER: Before we leave that part, I see we have the parliamentary assistant to the Minister of Finance here and I wonder if he could tell us what the full amount of blocked currency is in Europe?

Mr. SINCLAIR: I cannot answer that. It would take the department some time to prepare that information.

Mr. FRASER: Could you tell us the total amount of the dollar settlements effected?

Mr. SINCLAIR: On our war debts.

Mr. FRASER: On the military releases.

Mr. SINCLAIR: I do not know which of these agreements have been finalized and which have not, because there would have to be an exchange of notes in that connection. At the proper time, when these things are completed I will be very glad to make a statement but it is not possible at the moment.

The CHAIRMAN: I imagine a report will be made to parliament and the parliamentary assistant can be asked then.

Mr. MACDONNELL: I would like to ask a question. We are not here conducting a class in accounting but it does seem to me that this is an important question. Here we have some twenty enterprises which are carrying on, earning a lot of money, like the post office, drydocks, and others, all earning a great deal of money. Now, I would refer to what Mr. Howe said about the way in

which we keep our accounts, when he said: "We just take what comes in and call it revenue and what goes out we call expense." Of course, no person would dream of doing anything like that because a firm doing that might find itself bankrupt. I think it is worthwhile considering what is the proper thing to do.

The CHAIRMAN: Your question is directed to Mr. Sellar for his opinion, I suppose, because the proper time to express our own views is when the committee discusses the advisability of that item in the report. At the moment this is an academic discussion. We have a witness now. Ask your questions to the witness.

Mr. MACDONNELL: Would it be true to say that in all these cases, we have—I do not use this in an offensive sense—not called on the department to pay their true costs. We have the case of the post office, we have other cases here. Is it, generally speaking, the case that there is no department where really there is an attempt to carry the thing on along ordinary business principles? I think in some cases it would be money well spent. The post office has often come up as a case in point, and there are some others. All these would be large enough to consider carefully and I would like to have the auditor general's opinion as to what is wise. I noticed Mr. Sellar saying in particular in regard to his own department that if he was called upon to pay rent, he would not require so much office space.

Mr. SINCLAIR: Did you say that, Mr. Sellar?

The WITNESS: Well, I hope not exactly that way.

Mr. SINCLAIR: You did not say that. I was listening to you. You said you would be more careful in your requirements of office space. I think that is what you said—you said you would be more careful.

The WITNESS: As I remember it, those are the words I used.

In reply to Mr. Macdonnell's question, the counterpart of this committee in 1947 discussed this question at considerable length and had me file two or three memos on the subject. You then recommended in your report to the House of Commons that the appropriate authority should take into consideration the general situation of providing service between departments without charge, and also this matter of handling revenue from self-supporting services or services which might become self-supporting. The situation is this: in the speech from the throne it is indicated that the intention is to bring down legislation revising the Consolidated Revenue and Audit Act. I do not know what is going to be in the revision but I would suggest, with all due deference, that it might be prudent to suspend judgment on this until the government brings down the revision.

Mr. MACDONNELL: I was hoping you would say that it would be prudent for the government to suspend its action until we got through.

By Mr. Sinclair:

Q. On this matter of charging for space, Mr. Sellar has intimated that some civil servants may be what the army calls "empire builders" and they want to have as much space as they can. He says if they were charged in their accounts and had to show those charges they might be more careful in their requirements for accommodation. Just imagine what would happen if the head of the patent office was billed for his accommodation at Bank street rates. He would probably say, "If I have got to pay that kind of rent, you have got to give me better space." In that office they are certainly working under conditions which an ordinary business firm would not tolerate. If a business firm had to rent that space they just would not occupy it. In that way it might cost the taxpayers more money.—A. There is one angle which you have to keep in mind. It is that the passport office is under the Minister of External

Affairs and the public works department is under the Minister of Public Works. Both ministers are members of the cabinet and it is the government as a whole that is operating the business of the country—not one particular department. The government tells these people to occupy certain space and there is nothing that they can do but just go where they are told.

Q. Whether it is suitable or not?—A. The rent would be based on the value of the accommodation.

Q. That is the only point I hoped to make.—A. That is why I ask whether it would not be prudent to see what the government is proposing by way of revision of the Consolidated Revenue and Audit Act. Public works, for instance, is required to supply our filing cabinets and that means we escape a little expenditure or that makes us careless in what we ask for. I will say that I do not make certain that every drawer in our filing cabinets is being used before I requisition public works for another one.

Q. Yes, but even so far as filing cabinets are concerned, the position is very different from that of an ordinary business. No department can clear its files for thirty years back because some honourable member of this House is likely to ask for information in those very files. That is another reason why you cannot compare government business with ordinary business. What actually might be good business ordinarily is not good practice in the government service.—A. I agree with that and that is why I hope a revision of the Consolidated Revenue and Audit Act will be taken into consideration.

By Mr. Langlois:

Q. Would not this system of each department paying for its own premises involve a terrific amount of work? Department of Public Works would have to keep accounts of what they were making from these buildings; and the Post Office, for instance, would have to keep accounts of how much they are paying for rent. Is not that rather like the case of a man rendering accounts to himself? It would be just like me setting up accounts for what I spend in the kitchen at home and for whatever my little boy spends at school. I would be rendering accounts to myself for no purpose at all.—A. In this memorandum I am saying that the revenues and appropriated expenditure should be matched—whether you go beyond that is a matter on which I would like to see the government's mind before I form an opinion of my own.

Q. Well, the Department of Public Works would have to know whether they were charging enough rent for these buildings and they would have to keep accounts and, if you were going to do that on a proper basis, I am afraid you would need additional staff. We would have accountants running from one end of the land to the other checking on the rentals, and it would involve additional charges to the civil service.

Mr. BROWNE: I do not think that Mr. Sellar goes that far?

The CHAIRMAN: That was a suggestion made by Mr. Fraser—not by Mr. Sellar.

Mr. MACDONNELL: We have not dealt with Crown corporations and I asked for some information on that but I do not think Mr. Sellar answered.

The WITNESS: Crown corporations already use their own revenue for their own expenditures.

The CHAIRMAN: Gentlemen, we have finished with the memorandum of twenty-one items. Before we leave it are there any questions to be asked of the witness, not on things on which further discussion will take place in the committee as it considers his report, but are there questions to be asked of the witness on points which anyone may have overlooked.

Mr. FRASER: I asked Mr. Sellar what he meant when he was speaking to the Senate committee and he said that legislation is an item in effect enabling a department to by-pass parliament. You made a statement to that effect?

The WITNESS: Parliament consists of three bodies: the House of Commons, the Senate, and the Crown or the governor general. The supply bill we do know reaches the Senate on the last day of the session. They have the total of it before them and they do it that way. It is reasonable to assume, regardless of what rights they may have, that the Appropriation Act must be accepted as it is by the Senate at that time.

The CHAIRMAN: Have you any other questions?

Mr. ISNOR: Yes, I would like to ask a further question on this \$67,000,000. Mr. Sellar, in your public accounts you audit and set up the balance sheet for the government showing the assets and liabilities and the net debt and so on. You know of this \$67,000,000 item. Why can you not, and I am only seeking information, show that in your balance sheet in some form or other—as I suggested perhaps in suspense?—A. I do not prepare the balance sheet, sir, I certify it.

Q. You certify it?—A. The Deputy Minister of Finance prepares the balance sheet. He submits one to me for certification and I certify it subject to such qualifications as I make in my report. So I set out in the report that the \$67,000,000 was not shown.

Q. And would you not suggest to him that the \$67,000,000 should be shown? —A. Anything in regard to that is within his discretion. I think he would be foolish to show it as \$67,000,000 because it is not really \$67,000,000.

Q. Except, as I suggest.

The CHAIRMAN: As he says it is not \$67,000,000 and it might lead a lot of people to believe that it really represented that amount.

Are there any further questions?

By Mr. Macdonnell:

Q. Perhaps Mr. Seller could help me. You remember that I referred to the Canadair factory and I have since found Mr. Howe's speech on the point. He says that Canadair will pay a fixed annual rental of \$200,000. At that time we thought we were going to find a statement called surplus crown assets. I have sent down for that but they tell me in the library that they only have the War Assets Corporation statement and I have not been able to find just what is in that statement. There is no help there and I will have to look further.—A. They do not list the companies by names—War Assets groups them under a total.

Q. Where do we get the breakdown?—A. You would have to get that from War Assets.

Mr. CROLL: Or by way of a question in the House—by asking on the order paper exactly how the figures were made up. They always answer, you know.

Mr. MACDONELL: In time.

The CHAIRMAN: You are interested in one building but you can imagine how many buildings War Assets have disposed of or still remain in their hands.

Mr. MACDONELL: I would not think there would be so many.

The CHAIRMAN: There is an enormous number of them.

Mr. MACDONELL: Well, I will inquire.

Mr. BENIDICKSON: I am not worried about the record not being available but I am concerned about the system used here to by-pass parliament and to

which attention has been drawn by Mr. Sellar. I think if we are going to buy something in Europe that we should be given an opportunity to consider it.

Mr. CROLL: Does not Mr. Sellar say that was a most abnormal bit of business?

Mr. MACDONNELL: No, he did not.

Mr. CROLL: He did—that is his term, not mine. Did you not say that, Mr. Sellar?

The WITNESS: Yes, I said that it was an abnormal situation.

Mr. MACDONNELL: You did not say the practice was abnormal.

Mr. CROLL: He said it was an abnormal situation.

The CHAIRMAN: Do you infer that Mr. Sellar said the paying of the \$1 authorizing the government to spend \$1,000,000 is a usual thing?

Mr. MACDONNELL: No, that is no doubt the extreme case but I refer again to paragraph 17 in which he says that a matter of concern is a practice of legislating by means of items in the Expropriation Act.

The CHAIRMAN: Would Mr. Sellar comment on the last point raised by Mr. Macdonnell?

The WITNESS: If you are referring to the items with \$1 opposite them—

Mr. MACDONNELL: I am referring to what you say here—legislating by means of items in the Expropriation Act.

The WITNESS: There are quite a number of those. I gave you another illustration—the providing for sessional indemnities for members who are sick, or absent on official business.

Mr. HANSELL: I have just one question before we leave and it is of a general nature. It is considered in democracies that parliament has a right to scrutinize every possible expenditure. That is an argument in favour of democracy as against the dictatorship countries. I would like to ask whether it is always advisable, however?

Is it not true that during the war a good deal of money was spent on atomic energy, or shall I say on atomic research in respect of the atom bomb and that even we, who sat here in parliament through the entire war, knew nothing about it. Now how do you account for that? It has always been a mystery to me. We had a right to question the minister on every angle of expenditure but the money was spent for atomic research and particularly the atom bomb but we never found that out. I think it is a good thing and I am happy that nobody knew about it, but it has always been a mystery to me how it escaped our notice.

Mr. BENIDICKSON: I think there are a lot of things that escape us.

The WITNESS: All those expenditures are reported in the public accounts. In the main, the item you are thinking of would be in connection with the Chalk River project, would it not? If my memory serves me correctly Defence Industries Limited was the contractor. Those payments would be shown as being made to Defence Industries and, so far as the acquisition of the Eldorado was concerned, the expenditures were shown for acquisition of shares of the Eldorado mine. There is no expenditure made that is not shown in the public accounts. Every expenditure is in there but the accounts are so voluminous that I can understand you would not catch it. The expenditures made at the time of construction of the plant would be shown as being paid to Defence Industries, or whoever was the contractor.

Mr. BENIDICKSON: I would be the last one to do away with this practice but let us face the thing squarely. Is it always advisable to reveal what is

being spent on matters which are secret? I do not know whether Mr. Sellar would care to answer a question of that kind.

Mr. CROLL: That is a matter of policy, Mr. Chairman. I do not think it would be for Mr. Sellar to answer it.

The WITNESS: Accounts are presented by the government. That is, the Comptroller of the Treasury, and the Deputy Minister of Finance, compile those accounts. My job is to audit them and if I see anything—or rather I should say that I am appointed for the more complete examination of the accounts and for the reporting thereon to the House of Commons; and if I see anything in them which I think merits your consideration whatsoever, then I believe it to be my duty to draw it to your attention. Otherwise, if the accounts are perfectly in order, whether they be secret or otherwise, and I do not see anything objectionable about them—that is if the accounts are in balance, with a reasonable sentence or paragraph as to what they are about, that is all I have to do. Otherwise I feel I am under a duty to report it to you. But in this case the expenditures, so far as I am concerned, were constructional. I knew the purpose because the department informed me of the purpose, and asked me to assign special men to make the audit and to have those men put under a proper oath for the protection of the country, that I picked safe Canadians to do the work, and all that sort of thing. But we knew all about it.

By Mr. Wright:

Q. Can you tell me if England or the United States keep special accounts to deal with secret work? I mean special accounts which are not submitted in the regular estimates to parliament?—A. The President of the United States submits a budget. Then Congress writes a budget. But in England, they have fewer items than we have here. They run theirs with less than 200, and they can bulk a lot into them. In England they have certain accounts—and they have always had them—that one would call secret service votes. Those accounts are audited in the usual way but they are not disclosed in the usual way. However, the Leader of the Opposition and a previous Foreign Minister are shown those accounts from time to time. That is the constitutional usage they have in England.

Q. It might be that we in Canada are approaching a point, with the research work that we are doing, where we should set up something of that kind.

The CHAIRMAN: I think that is a very good suggestion, Mr. Wright.

The WITNESS: There is no secrecy about the actual expenditure.

Mr. FRASER: Mr. Chairman may we ask at this time questions with regard to the auditor-general's report at the end of the book?

The CHAIRMAN: It is now five mintues to six, and if we are through with questions on the particular memorandum before us I would like to inform the committee that Mr. Sellar, in answer to a request by a member—I rather think it was Mr. Browne—has prepared a further memorandum. Mr. Sellar was requested to give us an idea of how the estimates of the Department of Agriculture should be presented in the future so as to meet his views which are expressed in this memorandum. He has prepared a further memorandum for the committee and it will be circulated to the members.

I had hoped that the committee could meet tomorrow morning but I find that part of the day is taken up by the Old Age Security Committee, and that ten or twelve of the members of this committee belong to the Old Age Security Committee so I have been asked to have our meeting tomorrow night.

We could not have it tonight because tonight is taken up with External Affairs and I think twelve members of our committee also belong to the committee on External Affairs. So, in order to expedite the work of this committee,

and in view of the fact that we have much to do yet, and we want to do it thoroughly, I would suggest that tomorrow night we take up this new memorandum, which has been submitted by Mr. Sellar; and following that, as has been suggested by the Steering Committee and agreed to by the main committee, we start on the Auditor-General's Report, taking it up item by item, in that order; I mean, starting at the first and going through to the end with all questions permitted and no holds barred.

Mr. JOHNSTON: May I ask if Mr. Sellar is going to be here to go over the report he has submitted in regard to the Department of Agriculture?

The WITNESS: Yes.

Mr. JOHNSTON: I do not see why this committee should sit only at the convenience of the other committees?

The CHAIRMAN: Yes; but the Old Age Security Committee is a most important one, and so is the committee on External Affairs. So is this committee as well. As I said twelve of our members are sitting on the Old Age Security Committee, and the committee on External Affairs so that I think I will be forced to ask the members to come tomorrow night at 9 o'clock, since we are pressed for time.

I would like this committee to sit every day this week for one sitting of two hours—not three, but just two. So, if it is agreeable, we shall adjourn now until tomorrow night when we shall consider first this new memorandum with respect to the Department of Agriculture and then the Auditor-General's report.

The committee adjourned.

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SESSION 1950
HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE
ON
PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 4

TUESDAY, MAY 2, 1950

WITNESS:

Mr. Watson Sellar, C.M.G., Auditor General.

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CONTROLLER OF STATIONERY
1950



STANDING COMMITTEE
on
PUBLIC ACCOUNTS

Chairman: L. Philippe Picard, Esq.,

Vice-Chairman: D. A. Croll, Esq.

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Balcer	Fulford	Prudham
Beaudry	Fraser	Richard (<i>Gloucester</i>)
Benidickson	Gauthier (<i>Portneuf</i>)	Richard (<i>Ottawa East</i>),
Blue	Hansell	Riley
Boisvert	Helme	Robinson
Boivin	Homuth	Sinclair
Brisson	Johnston	Stewart (<i>Winnipeg North</i>)
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Cauchon	Langlois (<i>Gaspé</i>)	Thomas
Cavers	Larson	Warren
Cleaver	Macdonnell	White (<i>Hastings-Peterborough</i>)
Cloutier	Major	Winkler
Cruickshank	Maybank	Wright

Clerk: A. L. Burgess.

MINUTES OF PROCEEDINGS

TUESDAY, May 2, 1950.

The Standing Committee on Public Accounts met at 9 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Baleer, Beaudry, Benidickson, Blue, Boisvert, Browne (*St. John's West*), Cauchon, Cleaver, Croll, Denis, Fleming, Fulford, Helme, Homuth, Johnston, Kirk (*Antigonish-Guysborough*), Langlois, (*Gaspé*), Larson, Macdonnell, Major, Picard, Richard (*Ottawa East*), Riley, Robinson, Thatcher, Warren, Winkler.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General.

The Clerk tabled a memorandum addressed to him by Mr. Sellar containing a draft of a possible revision in the form of the Estimates for the Department of Agriculture.

Mr. Sellar was examined on the proposals set forth in his memorandum.

The Committee proceeded to consideration of the Auditor General's Report for the fiscal year 1948-49.

Examination of Mr. Sellar was concluded on items 1 to 34, inclusive, of the said report.

At 11 o'clock p.m. the Committee adjourned until Wednesday, May 3, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 2, 1950.

The Standing Committee on Public Accounts met this day at 9 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, before we start our work I would like to ask any members intending to speak, to speak loudly so that the reporters will have no difficulty in hearing what is said.

Now, when we adjourned last evening it was agreed that we would first deal at this meeting with the further memorandum submitted by Mr. Sellar at the request of the committee. Mr. Sellar has prepared a brief in connection with the estimates of the Department of Agriculture describing how he would like the estimates of the Department of Agriculture to be worded in the future. This memorandum was distributed to all the member sometime ago and I suppose it is quite in order to call for questions now.

Do you have anything to say about this arrangement, Mr. Sellar?

Mr. SELLAR: No, Mr. Chairman.

Mr. Watson Sellar, Auditor General, recalled:

Mr. LANGLOIS: Mr. Chairman, are we going to follow the same procedure we followed on the other report submitted by Mr. Sellar that is, examine it paragraph by paragraph?

The CHAIRMAN: Yes, we can examine it paragraph by paragraph. First of all if there are any comments on the letter sent in by Mr. Sellar appearing on page 1, we would like to hear them, and afterwards we will take up the items one by one numbered from one to eighteen.

The Secretary,
Public Accounts Committee.

Near the close of the meeting of the Committee on Friday morning, April 28th, I was verbally instructed to file with you a draft of a possible revision in the form of the estimates, using those for the Department of Agriculture. The object is to give the committee an illustration of what might result were a number of the votes consolidated and new texts substituted to define purposes more specifically. The figures stated are those to be found in the estimates book. The draft contemplates that the sub-headings now appearing in the listing of the votes will be dropped, the intent of the new texts being to pivot on the statutes rather than the nature of activities. Notice is also being taken of two sections in the Civil Service Act:

12. The Commission shall, from time to time, as may be necessary, recommend rates of compensation for any new classes that may be established hereunder, and may propose changes in the rates of compensation for existing classes.

- (3) Such proposed rates of compensation shall become operative only upon their approval by the Governor in Council, and when any increased expenditure will result therefrom, when parliament has provided the money required for such increased expenditure.
42. Temporary employees shall be paid only out of moneys specially voted by parliament for the purpose.

Whether these enactments are now of importance need not now be reviewed. The fact is that existing practice makes them inoperative. Until repealed, it is assumed votes should set out a maximum which may be spent on paylist charges. For that reason only, the intent is that each text will include a maximum for paylist charges. On the other hand, by consolidating votes, the department should have more "elbow room" to cope with a situation should a necessity arise, after estimates are tabled, for an increase in paylist charges. The over-all effect of the present submission is that around 20 votes would take the place of 45.

The proposals now follow.

WATSON SELLAR.

By Mr. Browne:

Q. Mr. Sellar says in his letter:

"The fact is that existing practice makes them inoperative."

Section 42 of the Civil Service Act set out in his letter, says that "temporary employees shall be paid only out of monies especially voted by parliament for the purpose."

Is that not carried out?

A. No, sir, it will be charged to any allotment that is provided for salaries.

Q. And not for the temporary assistance voted?—A. Not necessarily, no. As a rule the effort will be made to charge it to temporary assistance, of course, but you have to bear in mind that that temporary assistance is in the details, not in the main vote.

Q. Yes, I understand that.

The CHAIRMAN: Shall we pass on the item 1 of the memorandum if there are no further questions on this letter.

1. A number of votes pertain to the supervision and direction of the varied activities of the department. They stem, in the main, from the Department of Agriculture Act, c. 4, R.S., which provides for a Minister and Deputy Minister, and then enacts:

3. (2) Such other officers, clerks and servants, as are required for the proper conduct of the business of the department shall be appointed or employed in the manner authorized by law, all of whom shall hold office during pleasure.

But there are at least two other statutes associated with administration: The Agricultural Products Co-operative Marketing Act, 1939, and the Wheat Co-operative Marketing Act, 1939. Furthermore, because the B.N.A. Act provides for sharing the field of agriculture between the government of Canada and the governments of the provinces, there are certain expenses, allied with consultation, provided for by vote 3. The votes are :

1. Departmental Administration	\$ 293,670
2. Information Service	316,495
3. Advisory Committee on Agriculture	5,000
5. Science Service Administration	1,229,750
16. Production Service Administration	56,015
23. Marketing Service Administration	162,006

24. Agricultural Economics	438,225
29. Marketing of Agricultural Products	100,000
32. Dairy Products Board	22,000
34. Special Products Board	11,575
45. Agricultural Prices Support Act	60,000

In this submission, Vote 5 is grouped under the heading general administration. Alternatively, it might be grouped in the next consolidation to be suggested. However, regardless of where it is placed, it is suggested that the \$984,950 set out in the Details of Services (p. 74) for "Acquisition or construction of buildings" should be transferred to a works' vote (referred to later), and that like treatment be given to provision for works wherever provision is made in the details. Apart from the sum just noted, the votes are mainly for salaries, travel expenses, publicity, printing and miscellaneous administrative expenses. For reasons given, they might be consolidated into one reading:

To provide for the general administration of the Department of Agriculture and for advisory committees; but charges shall not exceed \$ for pay-list charges \$

The details would give comparisons of costs in previous years, the salaries of the principal officers, the main objects of expenditures with justifying explanations, and such other information as is necessary to portray the purposes of the vote.

Mr. MACDONNELL: This whole memorandum, I take it, is an attempt to group together things which are all of the same kind. The outstanding illustration he gives, I think, is where we find in a vote for administration an amount of \$984,950 for acquisition or construction of buildings. That is on page 2, the first paragraph right below the list.

The CHAIRMAN: This is just what we have under consideration now. Any questions are in order.

By Mr. Browne:

Q. The general idea in this statement here would be then to have estimates which would show the purpose for which the money was wanted, but the details will be given as now?—A. No, sir, I would say the details should be much more informative rather than just statistics. They should give what is involved and what is the work to be performed so that you have what I would call a picture of what the vote is going to be used for.

By Mr. Macdonnell:

Q. But should there not be somewhere also a very short note outlining the organization of the department? Would that be part of your idea?—A. Yes, sir, that would be part of it.

Q. For instance, in national revenue you do have two or three divisions, do you not—excise is one—and would there be something like that in agriculture too?—A. Well, of course, you have to bear this in mind, sir, when I was asked to prepare this I looked at it from the viewpoint of an auditor. I want to get something that can be controlled, that we have no doubt as to what is a proper charge to. And therefore, I proceeded on that basis.

Now then, on the first vote, general administration, I would expect that you would find in that vote a general description of how the department is divided up and everything else so that you would have an introduction to the whole vote. One of the honourable members mentioned the other day that he noticed that parliament was leaning towards having a general discussion on the policy

of the department on an opening vote. I would think that if such a plan were adopted the practice would be to give a general picture in your opening vote.

Q. One other question: do I infer from something I see here that your estimates to some extent might stem from certain pieces of legislation under which they can carry out certain plans, or am I wrong about that?—A. Practically every one except the two first votes would stem from the legislation.

By the Chairman:

Q. You mean except the ones contained in item 1 and item 2?—A. The general administration of the department. You might say it would also stem from the departmental Act but in the laboratory service, as far as I know, there is no general legislation for laboratory and research work.

Q. Do I understand that these items, which number eleven, would be grouped under these words "to provide for the general administration of the Department of Agriculture and for advisory committees; but charges shall not exceed so much for pay list charges". Is that the way it would appear in the future, according to your plan?—A. That would be my idea.

Q. Instead of dividing or listing them separately, you would group them under these words, but the House would not know, if I may suggest, how much goes to advisory committees on agriculture, how much goes for salaries, and how much goes for agricultural economics. Do you not think that it might take away from the members a lot of information they get now as to how that total vote is spent for administration?—A. I will not argue against you there because I am not a member and I do not know what a member looks for. I am looking at it, as I said, from the viewpoint of an auditor, and control. If I were asked to counter your argument I would say that that information would be given in the details printed at the back of the book.

Q. Oh, we still would get the details?—A. Yes.

Q. We would still get the details?—A. Oh, yes.

Q. From your answer I was led to believe we would not get more than that.

By Mr. Langlois:

Q. It comes then to a question of wording. In the future you will give less detail in one spot and give more in the other. That is all there is to it, is it not?—A. I am trying for three things, sir. I am trying, first, to reduce the number of votes as I think that would facilitate consideration and be more useful in administration if there were fewer votes. My second aim is to seek to get a text which defines what they call the four corners of the vote and thirdly, I would hope that the details would be more illuminating to the members of parliament.

By Mr. Browne:

Q. Has this sort of system been the practice in England or in any of the provinces, do you know?—A. I cannot say, sir.

By Mr. Johnston:

Q. What principle would you follow in grouping them? For example, in the Department of Agriculture, there are several places where administration occurs. Would you group, on a matter of principle, all the administrative items under one vote and then all the building items under another vote. Is that the principle that you would use in regrouping them?—A. The answer, sir, could be yes or no. You will have to bear with me for a moment while I explain the general administration of the department. Specialized services,—I will use the experimental farm. Administration of the farms: that would come under the experimental farm vote.

Q. Under administration of that?—A. Yes, under administration for that. I am putting all the experimental farms in the country in this vote.

By Mr. Macdonnell:

Q. Including the administration of the farms, of the experimental farms too?

By Mr. Johnston:

Q. Just at that point, under administration of experimental farms, would you take all the experimental farms throughout Canada and group them together?—A. Yes, including the stations.

The CHAIRMAN: I see no objection to that.

The WITNESS: And the third point relates to construction items. I would separate the construction items and make them a separate vote, a works vote.

Mr. JOHNSTON: For all those projects throughout Canada?

By Mr. Langlois:

Q. At the end of paragraph 1, after having given an example of the proposed consolidation you make the following comment:

The details would give comparisons of costs in previous years, the salaries of the principal officers, the main objects of expenditures with justifying explanations, and such other information as is necessary to portray the purposes of the vote.

Could you elaborate further on this last part of the sentence where you say: "and such other information as it is necessary to portray the purposes of the vote."?—A. One of the items up above there is the agricultural economics which is quite a substantial item, and staff is a large item in that amount. I would think that the field of economics being such a major activity would require a special paragraph in the explanation as to what they are doing in that line. Is that what you mean, sir?

Q. Yes, would it not mean that your details will be very lengthy then?—A. They certainly would be longer than they are now.

The CHAIRMAN: I see no objection to that personally.

Now the second item deals with votes for laboratory services at Ottawa and across Canada. Any questions on this item?

2. The following votes are for laboratory services at Ottawa and across Canada:

6. Animal and Poultry Pathology	\$ 388,640
7. Bacteriology and Dairy Research	177,305
8. Botany and Plant Pathology	1,343,687
9. Agricultural Chemistry	495,320
10. Agricultural Entomology	1,546,510
11. Forest Entomology	1,222,839

These total \$5,174,301, of which \$326,035 is for "Acquisition and construction of buildings" and \$73,215 for building repairs, which would be transferred to the works' vote. These services are not, strictly speaking, made necessary by any special statutes and could be consolidated into a vote reading:

To provide for research and laboratory services of
the department; but charges shall not exceed
\$ for paylist charges

The details would give comparable information to that for the previous vote, and, in addition, give some particulars as to locations of laboratories, work to be performed, charges for services, etc.

Mr. MAJOR: You are just carrying on from the first item you have given there?

The CHAIRMAN: I think we ought to deal separately with the items, but if members have any suggestions—

Mr. LANGLOIS: The individual votes will then be substantially larger than they are now and when we pass one item or many items quickly we will be actually voting more quickly larger sums of money, is that not the situation?

The CHAIRMAN: It depends on the speed.

The WITNESS: That would be so. That would be so but the idea is that the checks on your vote would give you longer term control. After you do pass the item you would have it right through until it is spent.

By Mr. Langlois:

Q. I have in mind those charges which have been made on many an occasion in the past to the effect that especially during the dying days of the session we vote large sums of money and members do not pay enough attention to the amounts involved. Now, if we adopt your new system, we will be voting larger sums of money in the same short time and there will be more grounds for these charges which have been made in the past.

The CHAIRMAN: On the other hand, there will be fewer items so maybe they will be called earlier and maybe there will be discussion on many of them. We will not lose time on small items when they are called.

Mr. LANGLOIS: There will be no small items.

The CHAIRMAN: That is what I say, there will be no small items to take up our time in discussion.

Mr. MACDONNELL: Do you not think, Mr. Chairman, that if we have a large item which includes things which are related to each other and of which we get full detail, that we might meet Mr. Langlois' criticism by saying that we will not have so many items and we ought to be able to deal more intelligently with those which we have, I say ought to—

Mr. LANGLOIS: There is another danger. A larger item has greater possibilities for not finding all the implications. There will be so many details connected with the items that you will not go to the bottom of them. That is what I have in mind as the real danger.

Mr. MACDONNELL: You must have a higher opinion of us than that.

The CHAIRMAN: My only question was whether we would get the details we are getting now, or more details? I suggest that it is a matter worthy of consideration.

Mr. JOHNSTON: May we ask Mr. Sellar on number 2 what further type of details he would give in respect of that item. I see that it is mostly for research—entomology, chemistry, pathology—what other details would be given on that to enlarge what is already given?

The CHAIRMAN: Well you have about four pages of it?

The WITNESS: I am just a product of the little red school house and animal and poultry pathology, bacteriology and dairy research, botany and plant pathology do not mean a thing to me.

Mr. JOHNSTON: They do not mean much to anybody else.

The WITNESS: When I turned to the details I would want to be able to tell the number of persons employed, what they are planning to spend on travelling expenses, how many automobiles they are planning to buy, and I certainly would want to know the salaries of the important people. More than all of that, I would like to have some idea as to where those laboratories are.

I understand that there are around a hundred. Some of them are here in Ottawa; some of them are elsewhere; some of them do very important work. Now I would like to know where the important ones are, the particular line of research being carried on at the moment; the degree of success; and the expectation of using the results for the improvement of agriculture in this country. Those are the kind of things that I would like to have in the detail.

Mr. JOHNSTON: At present that is not included?

The WITNESS: No, at present you have to turn up the minister's annual report which is for the year previous.

Mr. LANGLOIS: Perhaps it is difficult but have you calculated what the average vote would be if grouped or consolidated in that manner?

The WITNESS: No, sir; I have made no calculation in that way. Frankly, a few hundreds of thousands of dollars one way or another are not of as much concern to me as to get adequate control—that means something to me.

Mr. BROWNE: Would you give the details you are giving now in addition to other details?

The WITNESS: You have to look at the details this way. Details are a matter for the government to decide because they are asking for the vote. The government has to justify to the House the amount which it is asking and therefore, in this memorandum, I make no effort to say what I think should be in the estimates details—I only say what I think should be in the votes.

The CHAIRMAN: If we press that to its logical conclusion we can say that the wording of the estimates is a matter of departmental policy.

The WITNESS: Yes.

The CHAIRMAN: But we just want to grasp the suggestion contained in your memorandum. Mr. Langlois was asking how much would be grouped under item No. 2 for laboratory service. It would be \$4,370,000, but I do not see much objection to the amount if we could get the details elsewhere.

By Mr. Langlois:

Q. For example, can you anticipate how many votes you would have in the Department of Agriculture to cover all expenses?—A. Roughly 20 votes in the Department of Agriculture.

Q. That would involve an expenditure of how much in total?—A. \$59,000,000 this year—if round figures will suit you.

Q. So each item would average about \$3,000,000?

Mr. JOHNSTON: What difference would that make if we got full information?

By Mr. Langlois:

Q. You would give more information?—A. Yes.

Q. Well, if I was the minister I would rather have passed only one item instead of twelve items because it is much easier to hide within the four corners of one vote; and I could give details for perhaps half an hour and not explain all of that one vote but members would be satisfied because I had given such a lengthy answer.

Mr. MACDONNELL: You have not got so much room to hide in.

Mr. LANGLOIS: Yes, but the places to hide are bigger.

Mr. JOHNSTON: I take it that the purpose is not to hide anything, but to give information.

Mr. LANGLOIS: I am afraid we might be hiding things.

The CHAIRMAN: Are there any further questions on laboratory services?

Mr. MACDONNELL: I do not know that I understand the significance of the sentence which Mr. Sellar uses here in each case—"but charges shall not exceed blank dollars for pay list charges"?

The CHAIRMAN: To what do you refer?

By Mr. Macdonnell:

Q. In each one of these items it says: "But charges shall not exceed blank dollars for pay list charges." Now I understand that you are trying to control something?—A. On the first page of my memorandum, I have quoted sections 12 and 42 of the Civil Service Act. You will notice that the last part of subsection 3 of section 12 reads:

"and, when any increased expenditure will result therefrom, when parliament has provided the money required for such increased expenditure". And: "temporary employees shall be paid only out of moneys specially voted by parliament for the purpose."

Now, at the moment, if those sections are of any importance, the intent of the Civil Service Act was that once parliament has made an appropriation for the year for the department, the Civil Service Commission has full power to make such adjustments in the organization as it sees fit subject to the approval of the governor in council; but it can not make any changes increasing the rates, classifications and so on, which exceed the amount provided until parliament has provided the money.

Q. Exceed the total amount?—A. Yes, the total amount provided for salaries. I do not know whether that section is now necessary; that would be a matter of policy.

By Mr. Johnston:

Q. What is the practice now? Is the practice to follow that?—A. I would say not.

Q. Where do they deviate from it?—A. We have our total vote. As long as we have money in our vote—

Mr. MACDONNELL: Do you mean that if half the civil service died you could pay the other half twice as much, as long as you stayed within the total?

Mr. JOHNSTON: They would not even have to die.

The WITNESS: Let us be specific because Mr. Browne is just waiting to call me.

In the Auditor General's office, in the details before you, you see the salary of the assistant auditor general is \$7,500. You will see in the memo that I filed the other day giving the details of my office that I quoted the salary of the assistant auditor general at \$8,000. Now, recently, the Civil Service Commission reclassified the salary rate for his position and the necessary action was taken. He is now receiving \$8,000 a year—and that is perfectly legal. Does that answer the question you have asked, Mr. Macdonnell?

Mr. MACDONNELL: I think I will say yes, but I mean no.

The CHAIRMAN: The third item is vote number 12, plant protection.

3. Vote 12, "Plant Protection \$731,705", is in a somewhat different category. The Public Accounts (page A-14) state it is required for "the enforcement of the Destructive Insect and Pest Act". It is suggested that the text be changed to read:

To provide for the administration of the Destructive Insect and Pest Act, c. 47, R.S., and amendments thereto; but charges shall not exceed \$ for paylist charges \$

Are there any questions?

Vote number 4.

4. The votes reading:

13. Experimental Farms Service Administration	\$ 129,780
14. Central Experimental Farm	1,868,118
15. Branch farms and stations and illustration stations	5,977,447

stem from the Experimental Farm Stations Act, c. 61, R.S., as amended. The three votes collectively provide for such things as:

Salaries and wages	\$ 4,263,034
Acquisition or construction of buildings and works	1,807,349
Acquisition of equipment	493,369
Supplies and materials	432,706
Printing and stationery, etc.	237,925
Travel expenses	237,720
Feed, freight, cartage, etc.	236,180

The printed details require to be supplemented by taking notice of a sub-head in the printed details to Vote 303 (Public Works):

Experimental Farms and Science Laboratories—replacement, repairs and improvements to buildings, \$500,000.

In the main, this sub-head is administered by Agriculture.

Mr. JOHNSTON: I would just like to ask the object of number 3 as it stands—other than to point out that plant protection does not give a true interpretation. I take it that it is more intended for the destruction of insects rather than for plant protection.

The WITNESS: The reason that paragraph 3 makes a separate vote for plant protection is that it is now listed under the science service as part of their laboratories. It is not a laboratory service—it is shown as a separate vote.

The CHAIRMAN: Are there any questions on number 4, the pooling of the estimates on experimental farms. Does anyone need any more information than is contained in the brief?

Very well, we shall go on to number 5.

5. It is suggested that the provision for construction be transferred to a works' vote and the votes then consolidated to read:

To provide for administration and operation of farms
for the purpose of Experimental Farms Station
Act, c. 61, R.S., as amended but charges shall
not exceed \$ for paylist charges

The details would be made more illuminating by developing material identifying the farms and giving financial information respecting their operations.

By Mr. Homuth:

Q. Are you not going too fast, Mr. Chairman? I notice construction here. Does not that question come in under the Department of Public Works? Does construction on experimental farms come under Agriculture?—A. Well, the Department of Agriculture employs a certain number of carpenters continuously to do such things as shingling roofs, and so on. That money is appropriated to the Department of Public Works but the Department of Public Works has the Department of Agriculture act as its agent in doing the work.

Q. Any large construction would particularly come under the Department of Public Works?—A. I think as a rule that the answer is yes, sir, but I would have to check that to be 100 per cent right.

Q. When you talk about the construction of buildings, as opposed to just general repairs and so on, agriculture would not do any large construction?

Mr. HELME: He is referring to the item for \$1,807,000.

The WITNESS: My trouble is that the department does do some construction work but where the dividing line is I am not sure.

Mr. HOMUTH: \$1,807,000 seems to be a very large sum just for repairs.

Mr. MAJOR: That would be for numerous works throughout the country would it not?

By Mr. Homuth:

Q. That is what I want to know. It is a large sum of money if it is for ordinary repairs, but, if it is for new construction, then I think it should come under the Department of Public Works.—A. Well, you see you have got me at rather a disadvantage, sir, because we are now discussing estimates about which I know nothing. I deal with expenditures but these are estimates that will become the Appropriation Act and which I will have to audit twelve months from now. As to the composition of that \$1,807,000 item you would have to ask the treasury board people because I could not give it to you.

Q. We realize it is a departmental vote and so on but it is a large sum of money—nearly \$2,000,000. Now, then, you cannot tell me, and no one can tell me that is ordinary repairs to farm buildings—whether it is on experimental farms or whatever it may be. It would look to me as though it is new construction. If that is the case, then it ought to come in under the Department of Public Works. I realize that you cannot deal with votes and that you only deal with expenditures but I think we should have someone here to say whether this is new construction or whether it is just repairs. If it is just repairs it is a tremendous sum.

Mr. FULFORD: Would that not be practically ironed out with your suggestion of a further breakdown. We would have more detail.

The WITNESS: Yes, my idea, sir, would be to have all of this sort of provision in votes taken and put in a works vote and detailed in the same style as public works are set out.

Mr. LANGLOIS: It would remain under agriculture.

The WITNESS: That, sir, is something on which I have no opinion whatsoever.

The CHAIRMAN: Paragraph No. 6 deals with votes 17 and 18 "Health of Animals".

6. Votes 17 and 18 are:

Health of Animals

17. Administration of Animal, Contagious Diseases Act and Meat and Canned Foods Act	\$3,661,965
18. Compensation for animals slaughtered	1,091,292

These could be consolidated into one vote:

To provide for the administration of the Animal Contagious Diseases Act, c. 6, R.S., as amended, and the Meat and Canned Foods Act, c. 77, R.S., as amended, but charges shall not exceed \$
for paylist charges

\$

Mr. ASHBOURNE: Before you go on, Mr. Chairman, should not paragraph 5 be grouped with paragraph 4?

The CHAIRMAN: Yes. That is why I skipped it. I thought it had been called at the same time as paragraph 4. I am sorry.

Mr. ASHBOURNE: The main saving would be in the number of votes which have to be called by the chairman, and I think it would be a very good system. I do not think it would eliminate debate on the vote because anybody who was interested in the vote, surely when the vote was called, and he wanted to speak to the vote, would have an opportunity to do so. I was wondering how long this practice has been going on. Has it continued from the original time when the estimates were brought into the House, or have there been various changes made in tabling the estimates from year to year? I am a new member here and that is why I would like to have that information.

Mr. HOMUTH: Ever since the Liberals have been in power.

Mr. BENIDICKSON: It was not any different when the Conservatives were in power.

The WITNESS: The number of votes and the terms of the votes have varied from time to time. I think the present style of estimates which you have before you now was developed in 1938 when the Minister of Finance informed the House when he tabled the estimates that year that he was making material changes in the hope that he would bring more closely to the attention of parliament the costs of the various objects of expenditures, and for that reason he was materially adding to the number of votes. That practice has been followed ever since then, sir.

Mr. HOMUTH: That is why I said "ever since the Liberals came into power".

Mr. ASHBOURNE: I take it to be the job of the Minister of Finance to table the estimates, and I understand that the various ministers of the departments have their estimates ready to submit to the Minister of Finance. Cannot these ministers re-group the various items under their departments without making reference to the Minister of Finance or without restrictions or suggestions from this committee?

The CHAIRMAN: Of course. Any department is quite free to act as it desires. This memorandum which is now before us was prepared at the request of a member in order to bring to the committee the suggestions of the auditor-general as to how he thought these items could be grouped for one particular department, namely, agriculture. That is all we are reviewing now.

Mr. ASHBOURNE: I appreciate that, and I think that anything which could be done by the committee to facilitate the accurate auditing—I do not mean that the auditing is not accurate now—but which would facilitate the committee and which would possibly mean a saving to the taxpayers of Canada should be done.

By Mr. Langlois:

Q. Following the previous remarks I would like to point out that I think Mr. Sellar said the other day that the responsibility for the wording of these estimates was not vested in anybody in particular. So it would seem hard to say who is authorized to make such wording.

By Mr. Johnston:

Q. May I ask the witness to give us his version on that? Do the different departments change the method of wording their votes, or is that the established practice which they always follow? I would like to hear the comments of the witness on that question?—A. Well, sir, the answer is something which I cannot give you because my experience in dealing with the estimates goes back almost 22 years. I have been out of the Department of Finance, that side of it, and you would have to call the deputy minister in order to find the answer to your question.

Q. It was my understanding that when you are auditing accounts, you must go back to find the authority for those expenditures; and in doing that you would certainly have to scrutinize the estimates from each department. The question was: can these different departments when submitting their estimates to the minister change the wording, or is there established practice which they must follow?—A. You speak of my checking for authority. I check to the Appropriation Act. I can give you an example. A great many years ago there was a department of Indian Affairs. That department wanted to change the style or the language of their vote. I was then in the Department of Finance and they approached me on the subject and we discussed the pros and cons. And in due course our respective ministers made the decision. Whether that decision would be regarded as a decision of the department or of the government I do not know.

Q. But you say there was a decision made?—A. Yes. But the decision was made at the ministerial level.

The CHAIRMAN: Are there any other questions on paragraph 6?

Now paragraph 7 deals with two votes on "Production Service", and "Marketing Service".

7. There are two votes which involve general administration and also the administration of the Live Stock and Live Stock Products Act and the Live Stock Pedigree Act. They are:

Production Service	
19. Live Stock and Poultry	\$1,342,738
Marketing Service	
28. Live Stock and Live Stock Products	1,204,012

They are now separate votes, perhaps because a different director is responsible for the administration of each. However, the grant is not to a director, but to the Crown, and a division of the money can be controlled by section 26 of the Consolidated Revenue and Audit Act 1931. Four-fifths of the total is for salaries and travel expenses. Departmental convenience is here of concern; but from the accounting viewpoint, application would be simplified were they consolidated to read:

To provide for the administration of the Live Stock and Live Stock Products Act, 1939, and of the Live Stock Pedigree Act, c. 49, 1932 and for other services relating to live stock, but charges shall not exceed \$ for paylist charges

\$

Now, paragraph 8 "Plant Products" and so on.

8. The text of Vote 20 is:

"Plant Products"

Seeds, Feeds, Fertilizers, Insecticides and Fungicides Control, including grant of \$40,000 to Canadian Seed Growers' Association \$1,261,533

It is suggested that the \$40,000 grant be transferred to the vote next suggested and the text changed to read:

To provide for the administration of the Seeds Act, c. 40, 1937, as amended, Feeding Stuffs Act, c. 30, 1937, as amended, Fertilizers Act, c. 67, R.S., as amended, Pest Control Products Act, c. 21, 1939, Inspection and Sale Act, c. 32, 1938, as amended,

and the Hay and Straw Inspection Act, c. 26, 1932-33, and for other allied services; but charges shall not exceed \$ for paylist charges \$

Now, paragraph 9 which deals with three votes on "Grants, Contributions and Donations".

9. There are three votes for donations and contributions:

- | | |
|--|----------|
| 4. Contributions to Commonwealth Bureaux | \$56,821 |
| 21. Grants to Fairs and Exhibitions under such terms and conditions as may be approved by the Governor in Council and subject to allocation by the Treasury Board. \$536,400 | |
| 22. Grants to Agricultural Organizations, as detailed in the Estimates | \$44,500 |

In addition, there are the grants such as set out in Votes 20 and 27, as well as those listed in the details (see pages 85 and 86, for example). These could be brought together with the three votes and presented in a consolidated vote:

To provide authority to make grants to Commonwealth Bureaux, Agricultural Organizations, Canadian exhibitions and fairs, etc., as listed in the details of the Estimates; such grants to be subject to such terms and conditions as may be approved by the Governor in Council \$

The details would necessarily be set out in a way to meet the requirements of the vote's text.

Mr. HOMUTH: Just a minute, Mr. Chairman, I think you are going too fast.

The CHAIRMAN: I am willing. This brief, of course, was distributed to the members a couple of days ago.

Mr. HOMUTH: But I still think you are going too fast.

The CHAIRMAN: I am in the hands of the committee and I do not want to rush anybody. I thought I waited quite a long time between each item.

Mr. HOMUTH: Well, I do not think you waited long enough. I would like to say that I wonder sometimes if we are careful enough in our departments—and what I have to say is not said in any spirit of partisanship, or with any idea in mind as to whether a paper or magazine is with us or against us—but I sometimes think we spend a lot of money on advertising, on fairs, and on periodicals which have practically no distribution, or very little.

I do not want the members of the committee to feel that I am saying this in any critical way, but we all see advertisements appearing in magazines which we all get free; I am thinking now of the Montrealer. I do not think there are 1,000 copies of the Montrealer going out to the country, and I suppose that a page advertisement would cost many hundreds of dollars. So I often wonder about some of our contributions under paragraph 9, although it does not particularly mention advertising.

The CHAIRMAN: No. This paragraph has to do with grants, donations and contributions.

Mr. HOMUTH: But should we not be more careful about the amount of money we spend on matters like that? Someone may come in to our office and just happen to sell a page of advertising; and I wonder if a better check could not be made on those things. I wonder if Mr. Sellar could tell us if a better check could not be made on that sort of expenditure?

The CHAIRMAN: I have tried for the last 30 minutes to be as lenient as possible in the discussion which took place but I would point out that this does not refer to the item we are considering now. Later on in the public accounts under agriculture we will be coming to a point where it might be better to make these remarks. But just now we are questioning the witness on the brief which he has presented.

Mr. HOMUTH: You do not think it comes under the heading of "questions", Mr. Chairman?

The CHAIRMAN: No, I do not think it does. I want to give as much leeway as possible.

Mr. HOMUTH: I think it is a matter for serious consideration.

Mr. WARREN: I wonder if we have ever listened to the radio advertising concerning oleo margarine, and I wonder how much money we have spent on the advertising of good butter?

The CHAIRMAN: Let us not get too far away from the item. Let us come back to it. We were very serious up to now. Let us return to item 9. I would like the members to remember this: that if they have any further questions to ask of the auditor general on the wording of the estimates, with respect to his plan or proposal as to how the estimates should be worded, they should ask them. We cannot go on forever. So, have any members some questions to ask of Mr. Sellar on any point in this memorandum we now have before us?

By Mr. Browne:

Q. I would like to ask the auditor general how he audits the grants to these agricultural organizations? How would he examine the vouchers which would be sent to Ottawa from all over the country?—A. It all depends on the nature of the grant. If the grant is to assist in the construction of a building to which the government of Canada agrees to contribute, let us say, one-third of the cost, then the Comptroller of the Treasury will make an examination of all the accounts to satisfy himself that not more than one-third is being claimed from the government of Canada. We will examine the records of the Comptroller of the Treasury, but if we find it is a straight outright grant of, let us say, \$10,000 to a fair, a contribution to a fair, then they make no accounting to us; there is no obligation on them to make an accounting to us; and all we look at is the order in council authorizing the Minister of Agriculture to make that grant to the fair; we see the cheque issued but we make no further audit.

Mr. LANGLOIS: Are we still on paragraph 9, Mr. Chairman?

The CHAIRMAN: Oh, we are on anything you like so far as I can see.

Paragraph 10, vote 25, "Dairy Products".

10. Vote 25, "Dairy Products \$654,876", is a salary vote made necessary by the Dairy Industry Act. The text might read:

To provide for the administration of the Dairy Industry Act, c. 45, R.S., as amended, but charges shall not exceed \$..... for paylist charges..... \$.....

The details would be similar to those of other votes which are administrative in nature.

Paragraph 11 "Two votes which have much in common are Subsidies for Cold Storage" and so on.

11. Two votes which have much in common are:

- 26. Subsidies for cold storage warehouses under the Cold Storage Act, and grants, in the amounts detailed in the Estimates \$ 644,159
- 35. To provide for assistance to encourage the improvement of cheese and cheese factories ... 1,400,000

Vote 35 is regulated by the Cheese and Cheese Factory Improvement Act. Sometimes payments under **Vote 26** do not qualify under the text of the Cold Storage Act, therefore they are not paid as statutory subsidies, but as grants. These could be consolidated into one:

To provide for the payment of subsidies, premiums and grants made under the authority of the Cold Storage Act, c. 25, R.S., and the Cheese and Cheese Factory Improvement Act, c. 13, 1939, as amended, and to make grants for the purposes of the Cold Storage Act in the amounts detailed in the Estimates \$

The details should, of course, state the reasons why exceptions are being made.

I thought we had agreed to ask further questions if we needed to in order to understand the brief submitted by the auditor-general. And I think when the time comes for us to discuss what should be included in our report, that might be the time for the members to ask which of these suggestions would be good ones to be included. So, in order to form our opinion, I think tonight is the time for us to ask further questions.

Mr. LANGLOIS: We are on paragraph 11 now?

The CHAIRMAN: Yes.

Mr. LANGLOIS: In paragraph 11 I note that Mr. Sellar says:

Sometimes payments under vote 26 do not qualify under the text of the Cold Storage Act, therefore they are not paid as statutory subsidies, but as grants.

And right after vote 26 you give vote 35 which is:

To provide for assistance to encourage the improvement of cheese and cheese factories.

Could you give us an example of an item which is not included under the Cold Storage Act and is not included under vote 35? Vote 35 would appear to be rather general?—A. Let us assume, sir, that a man decides to construct a cold storage warehouse and he starts his construction. Then he goes to the government of Canada and asks for a subsidy under the Cold Storage Warehouse Act; and thereupon the government says to him: "We are very sorry, but we cannot give you any assistance because the regulations and our contract form provide that we must approve all the plans before you start. nevertheless you are building along certain lines you are using materials which are not satisfactory to us, therefore, we cannot give you the subsidy which you request. But we do realize the value of your cold storage facilities to the community so we will consider giving you a grant." And they might allow him a smaller amount and ask parliament for a vote, setting out the details in the estimates. Those are cases where they ask for a grant instead of a subsidy.

The CHAIRMAN: Paragraph 12 is another grouping of votes on "Fruit, Vegetables and Maple Products", and so on. Are there any questions?

12. Another group of votes with a common purpose is:

- | | |
|---|------------|
| 27. Fruit, Vegetables and Maple Products, and Honey, including grant of \$5,000 to Canadian Horticultural Council | \$ 989,000 |
| 36. To provide assistance for the replacement of maple production equipment | 500,000 |
| 38. For assistance in construction of potato warehouses under regulations to be approved by the Governor in Council | 100,000 |

These could be consolidated into one, but presumably limitations as to amounts should be kept, so the text might read:

To provide for the administration of the Fruit, Vegetable and Honey Act, c. 62, 1935, and of the Maple Sugar Industry Act, c. 30, 1930, and for other allied services, and to provide assistance for replacing maple production equipment and in constructing potato warehouses, such assistance to be subject to such regulations as the Governor in Council may approve; but charges shall not exceed:

\$ for paylist charges
500,000 for replacing maple
production equipment, nor
100,000 for constructing potato
warehouses

Details, in addition to the usual information re staff, travel expenses, etc., should set out the proposed scale of assistance for the equipment and warehouses.

Paragraph 13 concerns three items on which there are no changes suggested.

13. No change is suggested in the following votes because they are not regarded as being long-term policies:

30. Freight Assistance on western feed grains \$5,000,000
 31. Agricultural Lime assistance 435,000
 33. Meat Board, including quality premiums on A
 and B1 grade hog carcasses 5,854,633

Details should explain the purposes, policies, etc., of each

Paragraph 14 concerns “Agricultural Products Act”

14. No material change is suggested in Vote 37, "Agricultural Products Act", but explanatory details should be provided.

Now, paragraph 15 deals with the "Prairie Farm Rehabilitation Act".

15. Votes 39 and 40 both come within the ambit of the Prairie Farm Rehabilitation Act. They read:

39. Prairie Farm Rehabilitation Act and Water Storage	\$3,750,000
40. Major Irrigation and water conservation projects in the Prairie Provinces	7,719,500

Some activities are producing substantial revenues (for example, in 1948-49 community pastures produced \$175,917). These could be consolidated under a text reading:

To provide for the administration of the Prairie Farm Rehabilitation Act, c. 23, 1935, as amended, and operation of projects and for works projects as set out in the details of the estimates

The details should be descriptive of existing projects, as well as of new undertakings.

By Mr. Thatcher:

Q. I wonder why Mr. Sellar would want to group those two together? Is not one for the small dams throughout the provinces and is not the other for the two or three major irrigation works that there are?—A. You are quite right, sir. The reason I put that in here is that the Act provides for the Prairie Farm Rehabilitation Act supervising the carrying on and construction of all this.

That is why I put them together because in the following item I make general works a separate item. But it is the same organization, even though it has its headquarters in Regina rather than at Ottawa, and it is subject to the control of the minister here and the deputy.

Mr. MACDONNELL: And it is the same water, too.

By Mr. Thatcher:

Q. No; it is not the same water. I think it is a mistake to put these two together because this vote 40 is likely to grow considerably over the next few years. One item might continue in the same way, but the other one would grow. I come from the prairies and I think they are entirely different.—A. In vote No. 39 you have administration costs in connection with smaller undertaking; and then under your next vote you have the bigger undertakings. But remember, sir, I am only offering suggestions. I am not trying to sell you something. I was asked to give you something which I thought was the means of accomplishing two ends.

By Mr. Langlois:

Q. Some activities are producing specific revenues and you gave an example, I think, of community pastures; and that example takes into account these producing activities. Would they be mentioned in the details?—A. It would be my idea, that in all of these cases you would have your revenues, showing whether they are self-supporting or not.

Q. But the general vote would not give any explanation as to that? It would not be any different from what it was before?—A. On that general question, I think we discussed last time whether or not we should have votes which would use their own revenue. That is a question of policy. I would like to see what is going to come out of the revision of the Consolidated Revenue Act.

Q. Are both votes 39 and 40 producing revenue?

A. Both will. But I do not think 40 is producing much revenue yet.

Q. For the time being then, since only one is producing revenue, I think we ought better to keep them separate, so that we may know which one is making money and which is not.

By Mr. Major:

Q. Would they not be in the same class as paragraph 13? These would be two different things?—A. I am not changing them at all, sir.

The CHAIRMAN: There is no change in paragraph 13.

The WITNESS: I am not suggesting any consolidation of them.

The CHAIRMAN: Paragraph 16?

16. Vote 41 now reads:

41. Prairie Farm Assistance Act Administration \$500,000

The only change suggested is to insert a maximum for salaries.

By Mr. Thatcher:

Q. I wonder if Mr. Sellar could tell us how much of that item 40 was for survey work and how much was for construction?—A. These are just figures to me. I have no personal knowledge.

By Mr. Langlois:

Q. These two items are under separate authorities?—A. They are under the Prairie Farm Rehabilitation Act of 1935.

Q. And "major irrigation" comes under it the same as the other.

The CHAIRMAN: Paragraph 16 provides for no change except to insert a maximum for salaries.

By Mr. Johnson:

Q. Is it the practice now to go above the material amount set for salaries, or could they come within a definite amount set there and allow for deaths and resignations and so on by way of a cushion? Could you set an amount for salary as a definite amount, and would there be sufficient there in the fay of a cushion as a result of deaths and resignations?—A. You could depend on the amount the department put in.

Q. What would be the amount suggested there for a reasonable cushion? Under the Prairie Farm Rehabilitation Act you would have to have a cushion for an emergency, a sizable cushion. So what would be a reasonable amount as a cushion there, taking into consideration the deaths and resignations? As it looks, the way you have it worded now, you are going to fix an amount of salary as a permanent thing, I mean that which is actually being expended?—A. You would have a little cushion because that is an exceptional vote; it is inactive when you have a good year, and therefore it is an exceptional vote; I would not like to venture a figure.

Q. But it would have to be a fairly substantial cushion?

By Mr. Homuth:

Q. There is no idea of establishing a standard salary at all, is there? I mean that this is a total thing for salary purposes?—A. You would have a maximum amount that they could spend under salaries for that particular service.

Q. I think generally the members will agree with me when I say that we are beginning to realize that if we want to get the best people for the civil service, then we have got to compete with industry and to pay adequate salaries. But we are not doing it. In a particular time, with a thing like this, I believe we have got to make up our minds whether we are going to pay people what they are worth.

The CHAIRMAN: I think we would all agree with you, but I hardly think that this comes under the present heading. I want to be as agreeable as possible, but I think you are going much beyond the work of the committee.

By Mr. Homuth:

Q. Well, Mr. Sellar has said this is an amount of salary which should be allotted; and if that is going to be the amount of salary to be allotted, you must be applying those salaries among people who are coming into that department and I do not think it is good business because I would not do it in my own business and I do not think anyone else would do it in his business.—A. The answer to your question is that it is a figure which the government considers it should recommend to the House, a figure which would take into consideration what it would have to pay to get people that it wanted, and that would be the figure which would go in.

By Mr. Langlois:

Q. And the Civil Service Commission would be concerned as well?—A. Oh, yes, the Civil Service Commission would be concerned, naturally.

By Mr. Anderson:

Q. And it could be changed each year?—A. Oh, yes.

By Mr. Browne:

Q. May I ask this question? In comparing the estimates, the number of votes which are there would be exactly the same? There would not be a switching over of the votes?—A. There would be bound to be some changes. You are looking at the Department of Agriculture, which is A; but by the time you got down to Veterans Affairs, you would certainly have some new votes some place which would throw the sequence out.

Q. They would not be put at the end?—A. You would want them all for the same department?

Q. Yes. But I am looking here for No. 41 and I find it is "Construction of Potato Warehouses", although No. 50 and No. 51 are Prairie Farm Assistance Act.—A. The votes follow the subject matter for which they ask appropriations, and they vary from year to year.

Q. Would it not be convenient to the members to have that vote changed from year to year?—A. This is the first time it has ever been brought to my attention.

Q. Well, what do you think about it?—A. I would like to think it over.

The CHAIRMAN: As the number of votes necessarily expands how would you be able to get these votes in the proper order in any book of reference?

Mr. BROWNE: There would be a change?

The CHAIRMAN: As from year to year.

By Mr. Langlois:

Q. In paragraph 16 I think you stated that Works and Projects might be concentrated under votes, using whatever style is employed for work votes, by public works. Do you mean that you would be showing by provinces how much was to be spent in each province and would be giving the name of the place where the expenditure was to be made and the type of work to be carried out?—A. If the decision were that that was the way the Public Work vote was to be set up, yes. If the decision was that Public Works should only list their expenditures by amounts in a given year, then I would follow that.

My idea is that members of Parliament should be able to look at the estimates book and find listed all work votes in like manner. I think they should be able to apply the same tests and look for the same sort of information, no matter what department they were dealing with.

Q. You are looking for something like that?—A. I am looking for a way to simplify it for the members of Parliament.

The CHAIRMAN: Paragraph 17.

17. Votes 42 and 43 are works' votes. One is administered by P.F.R.A. staff, but as it is not strictly for the purposes of that Act it may be listed separately. The votes read:

- 42. Land protection, reclamation and development in British Columbia under such terms and conditions as may be approved by the Governor in Council..... \$900,000
- 43. Land protection and reclamation, clearing and settlement of new lands under such terms and conditions as may be approved by the Governor in Council \$200,000

Reference has already been made to provision in various details of votes for "acquisition and construction of buildings and works", and to the \$500,000 for experimental farms and laboratories in Vote 303, Public Works. All of these works projects might be consolidated into a vote, or votes, using whatever style is employed for works' votes of Public Works.

Paragraph 18. Vote No. 44. No change is suggested.

18. Vote 44 reads:

44. Maritime Marshland Rehabilitation Act \$991,120

It is essentially for works undertakings, but the text of the Act makes the works distinguishable from those discussed in the previous paragraph. No change is suggested.

The CHAIRMAN: I suppose our next order of business as agreed the other day is to start with a review of the Auditor-General's Report. I suggested the other day that we might take it up item by item. But some of the members have pointed out to me that there are 159 items, and some of them may not attract the attention of any member. I mean by that they may not be of sufficient interest at the moment to be called before the committee. So I wondered if it might not be well for us to try to work on the first 50 items, and then any member who wants to call an item may do so; and if any member is interested in a particular item, he will have the opportunity to bring it to the attention of the committee.

That is merely a suggestion. The other day we said we would go item by item, but many votes are not at all contentious and are easy to understand. It took us four sittings to go through two of the briefs. I wonder if we shall not be working here for many months if we go extensively into each of these one hundred and fifty-nine items. If it is agreeable, I will leave it open to any member of the committee to call an item.

Mr. WINKLER: Before we go into that, do you not think it would be advisable inasmuch as Mr. Sellar referred to the estimates in 1938, that we should get somebody here from the department to tell us why a change was made in the estimates in 1938, and the underlying reasons, so we could form an opinion.

The CHAIRMAN: My idea on that, Mr. Winkler, was to complete all our work with the auditor general and after we finish with the auditor general and before we start considering or drafting a report—having by then the printed copies of the evidence given at today's session as well as the evidence given at all the other sessions—we might call officials of the Department of Finance since they are responsible for the drafting of estimates to a large degree, or revising them in any way. I think that would be a better procedure because then we will have had time to go over the evidence of these last few days and our questioning of the witnesses from Finance may be more orderly when we have made up our mind as to what point we are going to ask questions on. I think it would be a more practical approach to our work. We have the auditor general before us. We should go ahead with the review of his report as suggested by the steering committee. If the majority of the committee would like to bring people from the Finance Department right away I have no objection to trying to get them, but I think that most members would like to have a general idea of what has been said up to now and make up their minds on which points they would be interested in securing information from the Department of Finance.

Mr. CAUCHON: That would give us time to study the evidence.

The CHAIRMAN: Yes. Now, since we agreed to continue with the auditor general's report, members must have looked it over. Does anyone want to call any items?

Mr. LANGLOIS: Do you want an item called at random?

The CHAIRMAN: I made the suggestion because I fear if I call the items one by one we would spend a long time on many of these and many of them are non-contentious.

MR. LANGLOIS: Why not call them by groups, say one to fifty?

The CHAIRMAN: That is what I have just suggested. Let us tonight try and limit our review, let us say, to the first forty-six items, because that is the end of a section. If anybody has any views on any item in these sections we will hear them. If not, let us proceed on the second fifty.

By Mr. Langlois:

Q. Mr. Sellar, in item 3, you say there that the statement does not take notice of assets held by the custodian of enemy property nor does it reflect all cash and security holdings and so on. Would you further elaborate on that, sir?

—A. The custodian of enemy property holds today approximately \$52 million in assets of one sort and another. They are not the property of Canada but they are held by him. Those assets are audited by me, as a matter of fact, I signed off today the audit for last year. Those accounts have never been part of the accounts of Canada. That goes back right through to the first war. They have never been part of the accounts of Canada and therefore are not reflected in the assets and liabilities of the Department of Finance.

Q. Is not the reason for that, Mr. Sellar, that these securities are kept in trust by Canada subject to be given back or retained by Canada when a peace treaty is signed between a particular country and Canada. Is that not a fact?

—A. That is quite right, sir.

Q. Then there is an explanation for it.—A. If you look at the Consolidated Revenue and Audit Act it says—I am now quoting from section 38:

(1) An annual statement, called the Public Accounts, shall be prepared by the Deputy Minister as soon as possible after the termination of each fiscal year and shall be submitted by him to the Minister.

(2) The Public Accounts shall show:—

(a) the state of the public debt;

(b) the state of the Consolidated Revenue Fund and the various trusts and special funds under the management of the government of Canada;

(c) such other accounts and matters as are required to show what the liabilities and assets of Canada are at the date of such statement.

Now, you see, these monies are held by the government of Canada and therefore you could say they should be reflected in the public accounts of Canada. For that reason, in my paragraph 3 I draw it to your notice. I am not taking exception to it as being anything seriously wrong because it has been established by long practice, but I do think it is my duty to note it to you.

Q. I see, sir. I know nothing about accounting and I think you must have noticed that by now, but just the same if we listed these assets in the current assets of the country would we then be listing assets which do not belong to us, assets that we are holding in trust only?—A. We would have to show a liability item on the other side, that is all.

Q. You would show a liability item on the other side to balance it?—A. There is, of course, a margin of profit in the operations of the custodian of enemy property. We do not owe \$52 million; we hold \$52 million.

Mr. CAUCHON: That is it. There is a difference.

The WITNESS: There is a little difference there. I am not critical in the paragraph of the Department of Finance in any way, but I am drawing this to your attention because quite frankly we have been hoping for some time there would be a revision of the Consolidated Revenue and Audit Act and we hope when they do it it will seek to improve our treatment of assets and liabilities and therefore a little needling by a paragraph like this may not do any harm.

By Mr. Ashbourne:

Q. When was the last revision made?—A. 1931.

By Mr. Boisvert:

Q. Is there any possibility that some of these assets will be confiscated by this country?—A. They were after the first war. I think about 1931 or 1932 there was something like \$12 or \$15 million surrendered by the custodian of enemy property, who was the Secretary of State, to the Receiver General of Canada and they went into the general revenues of the country.

By Mr. Browne:

Q. That \$52 million which we got control of during the second world war belongs to people from Germany, Austria, Italy?—A. There are \$2 million from the first war, and roughly \$50 million from the last war. Those people were enemy nationals or people favourable to the enemy, and they have been living in many countries and not necessarily be Germans at all. Also, there are the assets of persons who were in occupied countries.

Q. Is that in cash or invested in government bonds?—A. Originally, sir, it was in everything. We even had a circus.

By Mr. Johnston:

Q. Who was in it?—A. And one of the big problems that arose, the elephant died.

Q. Was it a white elephant?

By Mr. Browne:

Q. What is it in now?—A. Well, that man who owned the little circus was a German—

Q. No, I mean, what is the money in now?—A. The money as a rule will not be converted into other securities if they were good securities but if you realize on these things—the custodian has power to sell the assets—if it was a factory, he has the power to sell the factory. If it is rights to a manufacturing process and the custodian sold those rights to somebody else he gets in the revenues from those. It is not only what he gets in the first instance, but the income is also added on.

Q. Is there anything going to be done about that?—A. Gradually it is being reduced. If you had asked me what the total was a year ago, I would have given the figure of \$100 million. It is coming down towards normal dimensions every year.

By Mr. Langlois:

Q. Does not the custodian of enemy property table a report to the House every year?—A. I am not sure what is done.

Q. I think so, a report is tabled in the House.

The CHAIRMAN: Keep that in mind and we will ask the question when we have the people here who can answer that.

By Mr. Browne:

Q. Why do we not show the Canadian Broadcasting Corporation and the Harbours Board? Why do we not show their accounts?—A. The National Harbours Board has never been well handled in regard to Public Accounts. Let me go back a little. Originally, each harbour was operated by a commission that had power to borrow in its own name but only one institution would

lend to it and that was the government of Canada, as a rule, so the government of Canada held all the bonds. For many years only two harbours were able to pay their interest out of their operations and those were the ports of Montreal and Vancouver. However, in the Public Accounts of Canada today, now that the harbours have all been taken over by the National Harbours Board, you will actually see set up as assets only the original loans made to the ports of Montreal and Vancouver. The ports of Halifax and Saint John, Chicoutimi, Quebec and Trois Rivieres are not shown at all. The Act provides that out of the income of each harbour the board may set aside a certain sum each year to provide for replacement of its physical assets. Each year the board takes a certain sum out of the revenue of each harbour—out of the cash—and when they carry out construction works they pay for them from this replacement account. There is one account for each harbour and, as I say, they have approximately \$25,000,000 across Canada for replacement harbour work. That money is held in government bonds.

The CHAIRMAN: Are we through with item 3?

I suppose that we might as well deal with items number 1, 2, and 3, together.

Changes in Form of Financial Statements.

Mr. BOISVERT: Under item 1 you say: "The present balance sheet may not be regarded as presenting complete disclosure of the situation."

The WITNESS: Perhaps I might summarize it this way. The accounts of Canada are run on a cash basis. We do not accrue income. We do not carry into the accounts, generally speaking, accounts receivable; nor do we carry into the accounts our consumable stores; we have a few inventories such as those for the Department of Transport and one or two others but, generally speaking, we do not carry stores in.

All of those things I would like to see brought into the assets and liabilities, to the end that a control is exercised by the Minister of Finance over everything that is the equivalent of money.

Yesterday, Mr. Macdonnell asked me about buildings. Buildings represent a problem but I would rather see us first get control of things such as stores and accounts receivable and we then could come to buildings later on.

The CHAIRMAN: Are there any further questions on changes in the form of financial statements?

Carried.

Then shall we deal with further headings?

Mr. BENIDICKSON: I do not like the inconsistency of practice which is reflected in number 4.

The CHAIRMAN: Then let us call paragraph number 4,—Classification of Like Expenditures.

Mr. BENIDICKSON: I think the item explains itself but I would just like an outline from the chairman on what rights the committee has to make a report on the item—without a lengthy cross-examination now. I think the item speaks for itself.

The CHAIRMAN: Have you any remarks to make on item number 4, classification of like expenditures?

Mr. BENIDICKSON: I do not see any reason why the Department of External Affairs should not show the cost of its building in London, the same as it does in Washington or the same as the Veterans Affairs Department has to do. It just does not seem to be consistent. I think the committee in its report should urge consistency.

Mr. BROWNE: Is there no uniform practice about rentals? Is the matter under the Department of Public Works in most cases—except for the exceptions?

The WITNESS: In a great many cases it is under public works, but there are exceptions. You cannot give reasons for them; these things have just grown like Topsy—for a particular reason at a particular time—but that reason possibly is not in existence now. I think that something should be done but, before you come to any decision, I also think that you should have someone from the department to pick me to pieces—so that you will have both sides of the story.

The CHAIRMAN: Does any member wish to refer to another heading?

Mr. JOHNSTON: Yes, to contractors' securities on page 4.

The CHAIRMAN: It is item 14 on page 4. "Contractors' Securities."

Mr. JOHNSTON: Yes. I notice the paragraph starts "departmental Acts regulating the Department of Public Works and Transport specifically direct that the head of the department shall take all reasonable care that good and sufficient security is given"—what type of security is demanded, and for what purpose?

The WITNESS: The security demanded, sir, is either cash or bonds of or guaranteed by the government of Canada.

By Mr. Johnston:

Q. Are there any cases where those contractors are bonded by a bonding company?—A. You are referring to public works and transport—departments like that?

Q. Yes, or any similar department.—A. My recollection is—you would have to verify it—that it is permissive in connection with contracts with the Department of Fisheries. The Minister of Fisheries has the power by his Act to take a bond of an indemnity company.

Q. That is under the Fisheries Act?—A. The Department of Fisheries Act.

Mr. LANGLOIS: In the case of public works there is the additional security that when the department makes progress payments to the contractors it retains 10 per cent I think as a drawback, which is paid only after the contract is duly completed?

Mr. JOHNSTON: To what department are you referring?

Mr. LANGLOIS: Public Works.

The WITNESS: This is the rule in all departments. There is a hold-back in all departments.

By Mr. Johnston:

Q. In all the departments then on any project where a failure occurs is the department liable for wages and for subcontractors' bills which are not paid?—A. In the case of the Department of Public Works which is the big one on dominion works there is a federal Act which permits a claim to be made on any moneys held by the government. A claim can be made by any subcontractor or workman on the work, and I think it is good for wages up to a certain number of weeks and for supplies supplied within a certain period of time and the Minister of Public Works makes decision as to the distribution.

Q. Let me ask you another question on that. How many times has it come to your notice that there have been failures in contracts where security was not properly taken?—A. Well, that is about the only case there.

Q. Is that the only one?—A. That is the only one in here.

Q. Have there been many cases over the years where that has happened?—A. Not a great many, no, this one was a small one.

Q. I don't get just the point there. Are you referring to that one you enumerated on page 5 here?—A. Under 16, yes. This one here was out in

Saskatchewan about two buildings; one of them was at Estevan and one was at Poplar River; and the government has undertaken to pay a small amount, about \$210, to some of the suppliers in order that justice should be done to them.

Q. That would be over and above the contract price?—A. No, this is for supplies furnished the contractor. The department is to try to get that out of the contractors.

Q. And the men who had this contract have gone bankrupt?—A. Yes.

Q. Do you have any of the audit of the Department of Reconstruction and Supply, like with the old Department of Resources and Development?—A. What do you mean, sir; in the way of audit? Do you mean the works?

Q. Yes, wartime housing, national housing, central mortgage housing.—A. No, I have no responsibility for Central Mortgage and Housing Corporation, the Act provides for the auditors.

Q. They are outside auditors?—A. Yes.

Q. So you would not know whether or not sufficient security had been taken from the contractors.—A. No sir, because I have no audit responsibility and I have not read the Act for years.

MR. FLEMING: But that Act does not say anything about that.

MR. JOHNSTON: It does say that they did not follow it.

MR. FLEMING: There is nothing in the Act about the responsibility of the contractors.

MR. JOHNSTON: I thought they might have some information on that if it came under their jurisdiction in so far as the audit is concerned, and from the reports we could find out where some of the money has gone.

By Mr. Langlois:

Q. In reply to a question a few minutes ago you said that in the case of claims for either wages or supplies furnished by subcontractors the minister would in some cases arrange for the reimbursement of the subcontractor through his department. Is it not the practice in the case of auditors, with respect to claims for wages, to refer those for decision to the Department of Labour, and to refer claims from subcontractors to the Department of Justice?—A. This is more a case of where the contractor fails to pay a subcontractor or fails to pay his workmen.

Q. I mean, according to wage scale?—A. This has nothing to do with wage scales at all, it is just if he fails to pay because he has run out of money and then they have claims. That is the type of thing I am talking about. You are referring to labour rates, the fixing of wages by the Department of Labour.

THE CHAIRMAN: Now, are there any further questions under the heading of contractors securities?

MR. JOHNSTON: Would the fixing of rates with the department take into consideration the minimum wages paid in the provinces?

THE WITNESS: I assume so sir, but I do not know.

MR. LANGLOIS: Yes, the wording of the contract with the Public Works Department provides that the local legislation will take precedence over any wage scale of the employer in a contract for wages.

MR. BROWNE: What is the actual amount of this item 16? Did you say \$200?

THE WITNESS: That is about it.

MR. BOISVERT: Do you anticipate that they will be larger?

THE WITNESS: There are some claims, but they are not large.

THE CHAIRMAN: Have you any more questions under this heading? If not, we will go on to the next one.

Mr. BENIDICKSON: I had a question I wanted to ask under the heading of hospitalization costs.

The CHAIRMAN: Those are item 17 to 22. "Hospitalization costs."

Mr. BENIDICKSON: I see reference there to appropriation of money spent to the extent of \$75,000 on Indian health, and I think the Indian should know about it, it should not have been down there in a general item.

The CHAIRMAN: Are there any questions?

Mr. BENIDICKSON: That is under hospitalization contracts.

The CHAIRMAN: Have you a question?

Mr. BENIDICKSON: No, but I think the department should probably explain the reason for that.

The CHAIRMAN: Just now we have the auditor general here.

Mr. BENIDICKSON: I am just giving notice as we are perusing the report that I think the item should receive further consideration.

The CHAIRMAN: I mean, as far as the present witness is concerned.

The WITNESS: I think they are paying it now, sir.

The WITNESS: It wasn't an expenditure. It was a failure to charge a vote so that the Department of National Health and Welfare could recover that amount from the Indian vote. That is why it is in there. You see, the hospital is run by the Department of Health and Welfare and the minister has accepted certain responsibility with respect to Indians, and certain Indians were hospitalized in that hospital. The amount should have been paid for that hospitalization in the year. It was not. If you look at the appropriate vote in the public accounts you will see that the Comptroller of the Treasury also draws attention to the fact that that \$75,000 should have been paid in the year concerned. So I am just drawing attention to the fact that there is a transaction there, the same with the Department of National Defence not having passed over an amount.

Mr. BENIDICKSON: If it is not paid this year do you know if any arrangement has been made to pay it?

Mr. FLEMING: Following your report?

The WITNESS: I did not say following my report. The department wants its money and I understand provision is being made for it this year.

Mr. FLEMING: On item 21 there is a matter there which I did not see in the estimates. It is in connection with the treatment of sick mariners. The estimates of course do not give us the revenue, and when that question was asked in the House we were told that the revenues for this service are not nearly sufficient to meet the costs; and if I remember correctly there was some discussion last year about the possibility of increasing the charge per patient to meet the deficit.

The CHAIRMAN: Excuse me, that is dealt with in sections 23 and 24. "Treatment of Sick Mariners."

Mr. FLEMING: I beg your pardon. It overlaps?

The CHAIRMAN: Yes.

Mr. FLEMING: I had better reserve that then.

Mr. LANGLOIS: The recommendation is there in the section, is it?

Mr. FLEMING: Yes, but I will wait until we come to that.

The CHAIRMAN: I think we should deal with this first and then go on to that one. We are now on hospitalization costs, paragraphs 17 to 22. Are there any further remarks on that?

By Mr. Fleming:

Q. While we are on that, how is it proposed to handle, from the accounting point of view, charges which are made now under the D.V.A. hospital? I am thinking of Sunnybrook, Toronto, and the arrangements for the treatment of patients who are not hospitalized through the Department of Veterans Affairs?—A. You mean, the audit?

Q. You see, recently, they have inaugurated that service.—A. We haven't made an audit in Sunnybrook for the last two months. I have some men going in there shortly. If you want that information you will have to ask treasury for it, sir.

The CHAIRMAN: Treatment of sick mariners—23 and 24:

By Mr. Browne:

Q. In paragraph 22 you have a general recommendation there where you say: "A more appropriate procedure would be to follow that of the Department of Veterans Affairs, namely, to take into calculation, when preparing a vote estimate, the anticipated recoveries to the vote from other sources." Do you strongly recommend that?—A. I do not strongly recommend it, sir; the department is quite interested in it.

Q. They want that?—A. Yes. They were considering that last fall. What they have done I am not sure; again, I am sorry to say but you will have to ask the department what action was taken.

The CHAIRMAN: Shall we go on with the treatment of sick mariners?

By Mr. Fleming:

Q. As a matter of fact, when this was up in the fall I read these two sections of the report. Do you know if any action has been taken since with a view to increasing the charge for these services?—A. The change that you have in mind was to change the old rate, which was 2 cents a ton with a maximum of \$2 for the little fishing boats, and it was proposed to amend the legislation to increase the rate; and if I recall correctly, sir, when the discussion was on in the House the Minister of National Health and Welfare replied to you to the effect that the first problem was the fair treatment of the poor fishermen who might not be able to stand a major increase and that his officers were continuously studying it. But you would have notice of any change, because legislation would be necessary.

Q. We have been told that there were to be amendments to the Canadian Shipping Act, that it will be a place where this could be done?—A. Yes.

By Mr. Langlois:

Q. Your recommendation is to change it, leave the small boats where they are and increase it for the larger boats?—A. No, sir, my thought is this, that you might consider some time whether you should provide in your statute not a fixed rate but that the Governor in Council should try to establish each year a rate that would produce an income sufficient to carry the cost. In some years we have had a surplus. The idea would be that you would have a self-supporting service with neither a profit nor a loss. Whether that is possible or not, I do not know. The big problem is that doctors' fees and the cost of hospitalization have gone up, naturally, in recent years. Let me give you some figures on that. In 1940 we collected \$278,000 and we spent \$209,000. You see, there was a profit there of \$69,000 in that year. Now, that provided for the treatment of 13,681 persons. In 1949 the collections were \$226,000 and the expenditures were \$474,000 and we treated 20,500 persons. Now, that is what I mean, I think that you have to be prepared to consider whether or not this is going to be regarded as something that the owners of ships must support or whether it is a welfare service that the government of Canada should provide. That I think is a question of policy which sooner or later you will have to decide.

Q. I am particularly interested in this because I represent a riding where there is considerable commercial fishing and I am told that the reason why you have experienced difficulty with the small fishing boats is that the operators of these boats in a good many cases are in outlying districts where there are no medical facilities and where the regulations provide that the man shall be treated by a duly qualified doctor, and sometimes you have to send for a doctor who lives fifty miles away while at the same time there is a nurse on the spot who could treat this man for a minimum charge of a dollar while it costs from \$30 to \$40 to get a qualified doctor. I think fair regulations would change the amount, especially in so far as these small fishing boats are concerned, and you could cut your expenditures down considerably without asking these fishermen to pay any higher rates than they now pay. They cannot afford to pay more than they are now paying.

Mr. BROWNE: Is there an account of that in the public accounts?

The WITNESS: Oh yes, sir.

The CHAIRMAN: Now, is there any other heading or item that you would like to have called?

Mr. FLEMING: Application of moneys received, Mr. Chairman.

The CHAIRMAN: Oh, yes, "Application of Moneys Received"; section 27:

By Mr. Fleming:

Q. I was looking at case 1, in item 28, in that connection you say:

But the material consideration, from the viewpoint of control over consolidated revenue fund by parliament, is that legislation enacted for an emergency is now being applied in such a way that the department has recourse to \$10,500,000 which may be spent in excess of annual votes for defence services. Information given is to the effect that the matter is under administrative review.

Would you enlarge on that please, Mr. Sellar, indicating as to whether there has been any change in administrative practice as a result of the review; and, second, if there are any other similar cases, or is this sum mentioned the only sum that has been used in that way?—A. Am I right that the National Defence Bill is before the House and that it has received first reading?

Q. There is a National Defence Act amendment.—A. That is what I mean.

Q. Yes.—A. You will find a paragraph in there which provides that any moneys received in this way will remain available under a procedure by which the money will be held by the Minister of Finance in a special account to replace the particular stores. The matter will then be controlled through legislation along the lines of the bill now before you.

Q. I see. The money provided by the sale of stores becomes a sort of revolving fund?—A. Yes sir. The idea is, and it would be very good business, you have let us say some revolvers, which are on the edge of becoming obsolete for your purposes but some country wants them badly, you can sell them to that country, get your cash and get new revolvers. That is what that is for.

Q. Oh, I see. Your point here is that the revolving fund will have a statutory authority.—A. My point was that there was no statutory authority for what was being done. Justice disagreed with me, but in the long run legislative provision is being made, and that is something I agree with in that regard.

Mr. BENIDICKSON: What is the situation with respect to Laurentian Terrace? Is that still operated by the government?

The WITNESS: I am not sure, sir, whether the order in council has been passed transferring that to Central Mortgage and Housing to operate or not.

The trouble was the Central Mortgage and Housing said that they would have to put in a new furnace and paint the building and they wanted some money for that purpose, that is what held up the deal. I would say it will be taken over by them but there may have to be some operating charge made with respect to it.

By Mr. Browne:

Q. How do you find that in the public accounts, is there a vote for it?—
A. Yes sir.

Q. What item is it under?—A. Do you mean Laurentian Terrace?

Q. Yes.—A. That is under Secretary of State.

Q. As a matter of general convenience would the auditor general in making up his reports put in at the side of the item the vote to which it relates? Would that be a help?—A. The trouble is, sir, that I have not the public accounts then.

Q. You have not got them?—A. No, my report is printed before the accounts are printed—I use the working records of the department.

Mr. FLEMING: Case number III, I suppose, is under the Department of External Affairs?

The WITNESS: That was just a little out of the ordinary—the whole amount was \$1,279—and it will not happen again.

Mr. BROWNE: Can we go to the next page?

The CHAIRMAN: Yes, No. 29, "Charges to Grants Not Within Period of Account".

By Mr. Browne:

Q. Attention is drawn to irregular and unauthorized charges totalling \$590,000 made to vote number 243, because the sale of the property had not been completed—would you like to elaborate on that?—A. The sole point is that the government purchased these buildings but the owners were not in a position in the time permissible—before the end of the fiscal year—to give clear title. As a matter of fact in July an order in council was passed in connection with the title of one of them.

Q. Did they occupy?—A. I cannot answer that question. There is a rule that you should not pay for land until you have clear title.

Q. Unless you occupy?—A. The rule is—

Q. Until you are in possession?—A. That is an interesting point—I would have to consider that angle.

The CHAIRMAN: Are there any further questions on Charges to Grants Not Within Period of Account?

Carried.

Shall we go on?

Mr. BENIDICKSON: I would speak to refunds and remissions.

The CHAIRMAN: Refunds and Remissions—items number 30, 31, 32, 33, and 34.

By Mr. Benidickson:

Q. I was noting that there is a remission of tax to the Canadian National Railways on imports in connection with diesel locomotives in item 31. I suppose that similar consideration if given to the C.P.R. would show in paragraph 30 would it not?—A. Yes, sir.

Q. Is it a general practice to not charge a Crown operator on customs duties?—A. You are talking particularly of the railways?

Q. Yes?—A. The railways periodically get in equipment for example for testing rails. They bring in special cars and equipment for that purpose and section 33 of the Consolidated Revenue and Audit Act is a very convenient

way of avoiding the problem of duty matters. They pay a rate of duty based on the days—a fraction of the duty based on the number of days that they have the equipment.

Q. That was diesel electric locomotives?—A. I do not know the reason, but it is a general delegation by parliament to exercise judgment whenever it is conducive to the public good.

Mr. FLEMING: In connection with these Refunds and Remissions, under paragraphs 31, 32, 33, and 34, I take it that you are simply reporting them, Mr. Sellar? You do not make any investigations into the basis of the refund or remission in each case?

The WITNESS: No, sir, I make no investigation because there is a straight parliamentary delegation to the governor in council to exercise this right under section 33 of the Act. But section 50 requires that we report them. Every case of remission therefore, is laboriously listed by my staff.

By Mr. Browne:

Q. Even small ones?—A. We have taken the liberty of saying that we do not bring those under \$1,000 before you.

Q. But you have to list them?—A. We have to list them, sir.

By Mr. Benidickson:

Q. In connection with number 31, and the Polymer Corporation Limited, there is a percentage of rebate or remission shown?—A. Yes, sir.

Q. Is there any other practice of showing the percentage basis? Is that on everything they import?—A. No, that was just certain machinery for a certain process.

Q. Why is not the amount shown there?—A. In their case it is a specific item.

Q. The others are referred to in dollars but this one is referred to on a percentage basis?—A. You are wanting the dollars involved?

Q. I was wondering about them?—A. I would have to bring that figure—I have not got it with me.

The CHAIRMAN: In order to clear up this chapter, are there any questions about Pension Schemes of Corporate Bodies—paragraphs 12, and 13.

By Mr. Browne:

Q. Have you any complaint to make in regard to these various schemes?—A. I am not making any complaints, sir, I am just bringing it to your notice, and also to the notice of the various corporations so that they will know what others are doing. The idea is that they will move toward uniform practice.

Q. Some of them are paying higher for the same benefits?—A. Well, the practical benefits differ a little—the retirement age differs a little.

Q. It is not very important, I presume?—A. No, sir.

Mr. FLEMING: There has not been any attempt to equate these various schemes—have these organizations proceeded in all respects independently?

The WITNESS: They have, but we hope they will gradually turn to the Department of Finance for guidance before they finalize their deals.

Mr. FLEMING: I move that we adjourn.

The CHAIRMAN: Mr. Fleming moves that we adjourn and the next meeting I would suggest, will be tomorrow afternoon at four o'clock.

The committee adjourned.

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1950
NO. 5

SESSION 1950
HOUSE OF COMMONS

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS,

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

WEDNESDAY, MAY 3, 1950

WITNESS:

Mr. Watson Sellar, C.M.G., Auditor General.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., LL.B.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



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on
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Clerk: A. L. Burgess

MINUTES OF PROCEEDINGS

WEDNESDAY, May 3, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Balcer, Benidickson, Blue, Boisvert, Browne (*St. John's West*), Cauchon, Cavers, Cleaver, Croll, Helme, Johnston, Major, Macdonnell, Picard, Prudham, Richard (*Ottawa East*), Robinson, Stewart (*Winnipeg North*), Thatcher, Warren, Wright.—21.

In attendance: Mr. Watson Sellar, C.M.G., Auditor General.

The Committee resumed consideration of the Auditor General's Report for the fiscal year 1948-49.

Mr. Sellar was examined on items 36 to 57 inclusive, 61, 62, 65 to 67 inclusive, 74 to 78 inclusive, and 81 of the said Report.

At 6 o'clock p.m. the Committee adjourned until Thursday, May 4, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MAY 3, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum. When we adjourned last night we had reached item 35 in the report of the auditor general. Now, instead of proceeding item by item, I would repeat my suggestion of yesterday that if any member is particularly interested in a certain item he ask that, that item be called and then we will take up the several items under the same heading as the item called. After we have done that if there are any items in the report which have not been covered we can go back and go over them.

Mr. WRIGHT: I would like some explanation and comment on this question of drawbacks which are allowed, in some cases as much as 100 per cent.

The CHAIRMAN: Which item is that?

Mr. WRIGHT: That is item No. 39. I have in mind particularly item 4792, on page 12, October 2, 1948, providing for a drawback of 99 per cent of the customs duties on imported steel plates used for stampings for automobiles. What was the amount of money involved in these drawbacks, and have you any further particulars you can give us with regard to item No. 40 on the top of page 12.

The CHAIRMAN: I should say that is Department of National Revenue, under the heading of tariff items and customs drawbacks, item No. 39 and item 40. Would you care to comment on that?

Department of National Revenue

Watson Sellar, Auditor General, recalled:

The WITNESS: I would have to get that information for you, sir; I haven't got it. I could not give you the amount of money that was involved in each individual item. That is what you wanted?

Mr. WRIGHT: Yes.

The WITNESS: I would have to get that for you, I haven't the figure with me.

By Mr. Wright:

Q. There is a comment here which questions the authority under which this order in council was passed I take it?—A. Yes.

Q. And your point is that that was exceeded in making these drawbacks instead of it being in the regular tariff schedules?—A. Yes sir. I am not going any further than to observe that perhaps as members of the House of Commons you are jealous of your rights and privileges, and it seems to me the establishment of a drawback which extends past the period when the House meets is a subject that might be within your field, and that is why I questioned whether the section of the Customs Act relied on goes so far as to permit the long range establishing of the drawback item. I may be wrong.

Q. Are there any other instances of this, or were these the only two?

—A. These are the only two, sir, in that year.

Q. Is that a custom which has been carried on from year to year or is this the only instance where it has occurred?—A. During the war years, by replying on the War Measures Act when it was necessary to get in certain materials for manufacturing purposes there were some, but it was under the authority of the War Measures Act that that was done.

The CHAIRMAN: While we are on the Department of National Revenue could we clear these items from 38 to 40 inclusive.

Mr. BROWNE: We have not finished with the National Film Board?

The CHAIRMAN: No, we are still on the one which has been called.

Mr. BROWNE: I see.

The CHAIRMAN: But according to the practice agreed upon by the committee a member is free to call any item in which he is interested and while we are on that item or group of items we explore it fully, and after that we can come back to such other item as any member may care to call.

Are there any further questions on items 38, 39 and 40? If not, we will go ahead and take up this item on the Film Board, that is in paragraph 36 and 37.

National Film Board

By Mr. Browne:

Q. The national Film Board. Is that the organization which was investigated by an outside organization just a short time ago?—A. Yes, it was not auditing, it was a matter of what they call—

Mr. STEWART: Efficiency management.

The WITNESS: Yes, efficiency management.

By Mr. Browne:

Q. Does that come within your scope—the efficiency of that Board?—A. Only if I think it is doing something that you did not intend, sir, in a financial sense.

Q. Is there anything in any of these items here you referred to that you wanted to criticize?—A. Just the handling of this matter, sir. Take paragraph 37 there. I can explain that very easily. It has already been discussed in the House. During the year the Film Board made films for various government departments and in doing so billed the departments for the cost and charged them 10 per cent for general overhead. At the end of the year the Film Board in closing accounts decided they had charged too much, the volume had been larger than it had expected, and that 5 per cent was a fair charge. The department principally involved was the Department of National Health and Welfare. When the Board decided that 5 per cent was enough they should have returned \$11,000 to the departments because it was their money, not Film Board money. Instead of doing that the National Film Board left that in there for its production costs; whatever amount was left in that item lapsed at the end of the year. My thought there is that it would have been good practice for the National Film Board to have returned that money to the departments concerned.

Q. Is there any legislation or anything of that kind governing the taking of film by the Board?—A. Just the Act.

Q. I think I saw an item on that, where is it now?

The CHAIRMAN: We could deal with that on public accounts by calling the people from the Film Board if you care to do it. We are now only interested in the matter of auditing.

The WITNESS: The Act was passed either in 1938 or 1939.

By Mr. Stewart:

Q. On this statement, Mr. Sellar, what happens to the revenue which the Film Board receives, does it go into the department account, or where would it be placed?—A. It goes into the consolidated revenue fund.

Q. They would enter what they charged, I mean what they collected on their balance sheet, would they not, before turning it over to consolidated revenue?—A. These are the transactions within the year. They could still adjust that within the year's account.

Q. In effect, they should have made a rebate to the other department?—A. It should have been a rebate. That is the Department of National Health and Welfare was entitled to recover \$6,500. That \$6,500 should have been paid back to the Department of National Health and Welfare in the year to which it applied.

Q. So that we would know the actual operating detail of the Film Board and have details as to what the actual receipts and amounts paid such as this were, would it not be advisable that all the revenue received by the Film Board should be credited to the Film Board as such, so that we would know the actual amounts or revenue it took in and set that off against the cost of carrying the Film Board on, and have that included in this return? It might perhaps show to be a better operation from the standpoint of revenue than many of us think.—A. All I can say, sir, is that at the present time they are trying to devise a scheme which will meet what you have in mind.

Q. As Auditor General do you think it will be advisable that what I have in mind should be the practice; namely, for revenues to be shown in the Film Board account?—A. I have already recommended to this committee within the last two sittings that where we have producing services they should finance their operations out of their revenues so we could see whether or not they were self-supporting.

Q. I am glad to hear that.

By Mr. Thatcher:

Q. What was the situation last year? Did they lose money, and if so how much?—A. When you say last year, I am thinking in terms of two years ago; is that what you mean?

Q. Yes.—A. Well, their expenditures are always far greater than their income.

Q. But there is no balance sheet at the moment where you could show the Film Board at so much?—A. They produce a statement of their own, but in view of the fact that items in that statement are produced by the use of moneys, working capital made available to them during the war years, you cannot say what they earn, whether their operation is above or below the line; that is, whether they are in the red or the black.

Q. I agree with the statement you made that especially in these corporations we should have accounts and they should have to come here and explain their operations.

The CHAIRMAN: We deal in the same way with government departments. We have nothing there to show the relationship between their revenues and

their expenditures. For instance, take the Post Office Department. It has been suggested by some of the members that it should be operated in that way; the result might be that if there is a deficit one year the department would have to charge more postage the next year.

Mr. THATCHER: I know that in Saskatchewan crown corporations, each year you know how they stand, whether they have had a profit or a loss, and if the loss is large you can provide for it.

The CHAIRMAN: That would apply to all departmental administration?

Mr. THATCHER: No, to all Crown corporations, and it seems to me that it would be better to have all government organizations do the same sort of thing.

The WITNESS: The Film Board is not a corporation; it is just a department.

Mr. MACDONNELL: Within a department.

Mr. THATCHER: That is technical, but it is still being operated for certain reasons and I think the taxpayer should know how much it is costing.

Mr. MACDONNELL: Does it have its own bank account?

The WITNESS: No. For every Crown corporation there is a balance sheet which is presented and you will find it in the accounts. The Film Board prepares a balance sheet for its own information but that is not official because they are not a corporation.

Mr. STEWART: That is not the Film Board itself.

The WITNESS: No, no; if you are criticizing the Film Board because it has not a balance sheet I am just trying to give you reasons why it has none.

Mr. THATCHER: What is your recommendation? Would you suggest that with Crown corporations it might give a better picture?

The WITNESS: I would like to think that over, because making films is a peculiar business; and its activities are mainly governmental not outside. You think in terms of a corporation doing business with the public. The main customers of the National Film Board are the other departments. I should like to think over that a little before I answer.

By Mr. Johnston:

Q. When they make a film for another department do they charge that other department?—A. Yes sir.

Q. There must be some revenue then.—A. They are supposed to do it at cost when they make it for any of the other departments.

Mr. MACDONNELL: Do they know what the cost is?

The WITNESS: There are disputes to what the cost is, and there have been disputes as to whether certain films were ever ordered.

The CHAIRMAN: We can carry that idea indefinitely. The Post Office Department is in much the same position; they do not charge the other departments postage and it has been suggested in some quarters that a charge should be made for postal services to departments particularly because of the cost of that mail being handled by the railways and other carriers. That department is also dealing with the public as is the Film Board so that it might be included in the proposal made by the member.

Mr. THATCHER: I do not think the Film Board are being treated fairly. They are very enthusiastic in the work they are doing and I do not think the present method treats them fairly, particularly when they have to do the work at cost.

The WITNESS: I think that is where a corporation would show a better picture.

Mr. BROWNE: There is a balance sheet on page VA-17. Perhaps if Mr. Thatcher would look at that it might give him some information as to what they are trying to do anyway. Does Mr. Sellar know anything about this balance sheet?

The WITNESS: No sir, I know nothing about this balance sheet.

The CHAIRMAN: We will be taking that up under public accounts and public accounts are not the direct concern of the Auditor General.

Mr. BROWNE: He examines them.

The WITNESS: But not this, sir; the chairman is right, it is the Treasury and Film Board staff who deal with this, they put it in.

Mr. BROWNE: But you certify it?

The WITNESS: We do not certify it at all.

Mr. MACDONNELL: Why not?

The WITNESS: Because it is not required by law, sir.

Mr. BROWNE: What do you certify in the Film Board?

The WITNESS: Revenues and expenditures, we have nothing to do with their operations.

Mr. BROWNE: You mean, within the Appropriations Act?

The WITNESS: Yes.

Mr. MACDONNELL: I do not want to see us get off the beaten path here, but I must say that what Mr. Thatcher has been saying does strike me as being good sound common sense. I wonder if we could pursue this a little bit further. I can see the sense of what Mr. Sellar is saying, that they are not doing business in the open market, but they do some ordinary commercial work, do they not?

The WITNESS: Roughly, about \$150,000 worth a year—maybe more or maybe less one way or another.

The CHAIRMAN: May I call your attention, gentlemen, to the fact that we are now dealing with the report of the Auditor General. When we have finished with that we will be at liberty to call the officials from the Film Board and get all the information you desire.

Mr. MACDONNELL: You will recall that what we have before us at the moment is an analysis of the suggestions Mr. Sellar is making.

The CHAIRMAN: Yes, we are dealing with his suggestions.

Mr. MACDONNELL: Would it not be fair to get his opinion on that?

The CHAIRMAN: No, if it deals with his report I have no objection, but if it deals with public accounts, we should leave that until the departmental officials are before us.

Mr. THATCHER: Following up with the item there on VA-18, on looking over the statement of operations—maybe I can't read a balance sheet or a profit and loss statement—but I cannot just figure out what is the net result from that.

The CHAIRMAN: Are you asking the Auditor General a question on that?

Mr. THATCHER: Yes. I wonder if the Auditor General can explain that for us. Can you tell us by that statement there on page VA-18, whether there is a profit or loss on the operations for the year, or what the next figure was?

The WITNESS: There is a net loss there of \$78,000.

Mr. THATCHER: Does that suggest that the Film Board showed a net profit for the year?

The WITNESS: That is why I say you would have to call the departmental officials on that, sir. I am sorry I am stupid. I do not know this balance sheet. I have no interest in it and I do not know what goes into it.

Mr. THATCHER: Then it is not a true picture of the operation at all.

The WITNESS: I would not like to say yes or no to that.

The CHAIRMAN: May I again say to the members that later on we will have the officials of the departments here, whichever departments the steering committee decides to have called, and then members will have an opportunity of studying any information they want in relation to public accounts. At the moment the Auditor General is here and my submission is that you should ask questions only with respect to items which arise out of his report. There are two items, 36 and 37, which relate to the Film Board recommendations he has made. If we are going to proceed in an orderly way we will have to dispose of those first, now that we are on them, and I think we should limit ourselves to the points raised in the report of the Auditor General, and then after that we can call the departmental officials and go back over the subject with them on public accounts.

Are there any more questions on items 36 and 37? If not has any member a section he would like to call?

Mr. STEWART: Item No. 65, External Affairs.

The CHAIRMAN: All right.

External Affairs

By Mr. Stewart:

Q. I note you say there;

An embezzlement occurred in the Canadian embassy in Paris, Ascertained losses of \$4,420.24 were charged to this vote. The employee was not bonded under the Government Officers Guarantee Fund.

Is it customary to have employees bonded?—A. In this particular case bear in mind that we are dealing with transactions going back into 1947, shortly after France had been liberated and we were just getting re-established in our embassies and so on. It happened at that time that this particular individual was not bonded; but the practice now is to bond all officials.

Q. Do you bond all officials, or simply those handling money?—A. All officials handling moneys in embassies.

Q. Does that apply to other departments of government also?—A. I think as a rule it does, sir, but I would not like to make a hundred per cent statement. Well, in fact if I were to do so I think I would be wrong, because while we handle very little cash in our office I do not think I have bonded anyone, so I would have to say that the practice is not universal.

Q. Yes?—A. But where there is any large amount of money or where the personnel is in the special position of handling money, they are bonded under the government scheme; and I might say also that defalcations have been very few, so few in fact that we are no longer required to pay a premium for the bonds.

Q. I understand that the amount involved in connection with one particular employee was \$4,400.—A. It was much larger than that.

Q. It was more than that, was it?—A. Yes, but it is pretty well fixed now. You have to bear in mind that at that time we had to run what was in effect a store in connection with our embassies to supply the staff with food items, clothing and so on; we had to import the gasoline used in cars; and the Embassy also had a working arrangement with the British embassy; so there were embassy accounts in the proper sense and there were unofficial accounts—that is, not government accounts. As to this particular clerk who manipulated the accounts; he was in a position where he had a little more latitude than he should have had, and he manipulated the accounts and issued cheques, or had cheques issued, and then endorsed them over to himself and cashed them. It arose through that. The individual was in due course arrested, tried in the French courts and found guilty. He was given two years and his assets were

seized by the court to satisfy the claims of the government of Canada. His assets are believed to have a value of about \$3,000, although we haven't got the money yet.

The CHAIRMAN: Was he a French national or a Canadian citizen?

The WITNESS: He was born in Canada and I think was residing in France at the time of his employment.

The CHAIRMAN: And I believe that occurred immediately after the war, in months following occupation.

The WITNESS: Well, I know this, sir; it was not through any efforts of mine that this was uncovered, it was due to the activities of External Affairs and Treasury. The first I know about this matter was in 1948, and obviously it would go back some period before that. I think it originated somewhere around 1946.

Mr. STEWART: Would it not be possible for you to check embassy accounts abroad?

The WITNESS: No sir. I am not trying to claim any credit for uncovering this.

The CHAIRMAN: I would like to mention that I happen to know personally that in 1945 the embassies in most European capitals had to look out for themselves in respect to food and supplies for their employees and it might have been that that trouble arose then.

Are there any more questions on the item External Affairs?

Mr. BROWNE: There are certain matters in which I am interested. Are we open to ask questions on the public accounts now?

The CHAIRMAN: Not at this time if we want to carry on in an orderly way. There are a number of items which I know the committee will want to explore, but the steering committee recommended that we deal first with the report of the Auditor General and his recommendations, then later on we could have the officials of the Department of Finance or other departments before us. It was felt that we should deal first with the suggestions made by Mr. Sellar and then call department officials.

Mr. BROWNE: It is not a case of terminating the discussion about this department of External Affairs?

The CHAIRMAN: Well, you see, if we start a discussion on individual items of departments we will never be through with the Auditor General. The understanding was that we would deal with his report first and that we would then go on with departmental items contained in the public accounts.

Mr. WRIGHT: I wanted to ask some questions in respect to items 61 and 62 on page 18, relating to the Department of Agriculture.

The CHAIRMAN: Before you go on with that, may I ask if we have cleared items 65 and 66, in so far as this report is concerned?

Mr. MACDONNELL: I understood from you that at this point we could ask any questions following item 41, that is where we left off yesterday?

The CHAIRMAN: That is correct. But now that we are on these items 65 and 66 let us clear them up and then go back to any other item in which you are interested. Well, then, if there are no further questions on those items we will turn to the ones to which Mr. Wright has just referred, items 61 and 62.

Department of Agriculture

By Mr. Wright:

Q. This relates to the Agricultural Products Co-operative Marketing Act. I understand that a great many people applied for benefits under this section who

are not really co-operatives, and it seems that there were payments made to them on account of fur and things of that kind. I understand it included the railway companies and the Hudson Bay Company and large corporations of that kind. I do not know whether that is the company referred to there in this item 61 on page 18, but the question I wanted to ask the Auditor General is whether it actually did apply to such an agency as the Hudson Bay Company in respect to its fur sales or should the Act only apply to true co-operatives?—A. Well, sir, as I read the Act—I haven't looked at the particular section recently—I formed the opinion that the agreement was legal. This transaction refers to the Hudson Bay Company; there is no doubt about it. This agreement was made with them, I think, in 1940 or 1941,—anyway in the early days of the war,—and whatever was lacking in the Agricultural Products Co-operative Marketing Act was made up under the general powers of the Governor in Council under the War Measures Act at that time.

Q. I see.—A. We drew attention to this particular contract simply because it seemed a little unusual because the Hudson Bay Company might have borrowed the necessary funds from the bank; or, on the other hand, it may have taken the money out of its own general balances; but under its practice it charges interest to the department that uses the money. We just wondered whether that was the cost incurred within the intent of that Act—it is an isolated instance—that is why we drew it to your attention. I do not think it is a matter of any material concern. I know, the question has been studied since, and I think the intention is to vary it.

The CHAIRMAN: Are there any further questions on these items of the Department of Agriculture, Nos. 61 and 62?

By Mr. Macdonnell:

Q. I would like to ask the Auditor General a question about this Prairie Farm Assistance Act 1939, item 62. He makes the following comment:

Ten years' operation of the Prairie Farm Emergency Fund has resulted in a deficit of \$65,878,764.

Q. Would you mind telling us in more detail about the emergency fund?—A. The Prairie Farm Assistance Act of 1939 was predicated on the assumption that the premiums on grain delivered to the elevator would produce enough money to provide for the relief provided by the Act. However, the Act took into consideration the possibility that in some years it would not be sufficient and therefore it provides for advances from the Consolidated Revenue Fund, these advances to be repaid whenever there was a surplus in succeeding years. Well, there has never been a surplus in succeeding years that could reduce the amount to any appreciable degree. The result is you have an amount normally of \$65 million which I honestly believe is of no significance now, because I do not think it can ever be recovered so we might prudently charge whatever money has been advanced up to expenditures in the year and forget it. That actually has been done in the books but normally we rate this money as recoverable.

Q. Does that appear as one of our assets?—A. No, sir.

Q. Is there any magic in this one per cent? Was it intended that this should be self sustaining?

Mr. WRIGHT: I do not think it was ever intended that the one per cent of the amounts of the payments had to be made out of that fund. It was recognized in this that certain lands in western provinces were put into cultivation during the first war to produce wheat to help win the war and that this land should never have been put under cultivation. They were then under the control of the dominion government. Later, after the war, they were turned over to the provinces, and the provinces felt the dominion was more than responsible for bringing large areas, more particularly in Saskatchewan, under cultivation to meet the

emergency and even have some responsibility for solving the difficulties that arose out of that. I do not think the one per cent was ever expected to meet the total cost of the P.F.A.A. There have been—I do not know how many years—two or three years in the last ten or twelve years in which the collections have been greater than the disbursements but over a period of years the Act is almost certain to pay out more than will be collected until such times as under P.F.R.A. a lot of these lands which are presently under cultivation will be taken out of cultivation and turned into community pastures or the like.

Mr. MACDONNELL: We have all had the feeling that this was a very practical measure, and in fact I was going to ask the same question that you asked, in regard to keeping land under cultivation which should not be under cultivation. Is there a point there and are we in the end doing an injury?

Mr. WRIGHT: That is a debatable point. I can only express my personal opinion on it but it will only be my personal opinion. I think the government under P.F.R.A. before the war were taking considerable of these acreages out of cultivation and during the war that process more or less stopped because of war emergencies. Now, I think it is the intention of the government to continue to take some of this land out of cultivation.

Mr. MACDONNELL: Would it be reasonable, Mr. Chairman, to have this matter discussed before the steering committee?

The CHAIRMAN: What is it exactly?

Mr. MACDONNELL: It is item 62, on the question which Mr. Wright raises.

The CHAIRMAN: That point will be brought before the steering committee after we finish this present order of business. Are there any other items or headings that members want to call?

Mr. BALCER: Item No. 67, Department of Finance.

The CHAIRMAN: Item 67, Department of Finance, page 19.

Department of Finance

Mr. BALCER: An advance of \$11 million was made to the Wheat Board and no claim was ever made by the Wheat Board to get this \$11 million. I do not quite understand this part.

The WITNESS: The situation is this, Mr. Balcer, under the Wheat Board Act is provided that the government fix selling prices and in that particular year the government fixed a price for No. 1 Northern on a certain basis at \$2 per bushel, that was the selling price, and it was provided in the order in council that on sales to millers and others manufacturing wheat into food for human consumption in Canada, they would be entitled to a refund of 46½ cents a bushel. The order in council proceeded by directing the Wheat Board to make these refunds out of its money, and in due course an appropriation would be obtained from Parliament to recoup the Wheat Board for its expenditures. In this particular year, the appropriation was secured. The Wheat Board had not made a formal demand for the full amount, that is to say, they had not put through their vouchers and claims but an advance of \$11 million was made to them before the vote lapsed. At the time of the audit, which was completed in the late summer, a settlement had not been received but after the report was in the hands of the printers the Wheat Board did make a formal demand supported by the necessary claims and by the end of last year the accounts were practically all settled, that is the vouchers were there against the claims.

The CHAIRMAN: Are there any further questions on item 67?

By Mr. Browne:

Q. You went beyond April 30th then, in making this audit of item 67. It was completed in July, you say?—A. The audit of the accounts was completed in July.

Q. July of 1949?—A. You see, my audit cannot be completed until the accounts are closed and I finish my audit work in July as a rule, some of it goes through into August. But at the time we finished looking at the accounts of the Department of Finance in July an accounting had not then been made, but we do know that an accounting was made to the department in the month of September, but that was after the report was in the hands of the printer.

By Mr. Macdonnell:

Q. Why would there be all that delay?—A. You will have to ask the Wheat Board.

Q. Perhaps I am unreasonable in saying that delay. It seems to me a long delay.—A. You will have to ask the Department of Finance, sir.

The CHAIRMAN: Any other headings?

Department of National Defence

By Mr. Thatcher:

Q. Item No. 74, the Canadian Commercial Corporation. The auditor says they are not taking the cash discounts. Have they changed that practice by now?—A. Yes.

Q. They have changed that practice?—A. Yes, sir, and I have here a note, it is dated the 4th of January of this year, from Mr. Low, the managing director, speaking of the changes. He said the efforts to induce companies to quote discounts of less than thirty days have met with considerable success and that it was being expanded, that they now have amended their tender form, and generally speaking they are very satisfied with the co-operation they are receiving from suppliers. The problem essentially is making certain that we claim the discount within the proper time, that is to say, the goods have to be delivered into some division of the Department of National Defence, checked, and the vouchers sent on for payment within the allotted period of time. If delivery is made, say, in Regina, and the payment is being made from Ottawa or if it is a split shipment with some shipments going to Toronto, some to Plouffe Park, and another one to some other place, you have to bring these three together before you can claim your discount.

Q. Would you know offhand what the net profit or loss of the Canadian Commercial Corporation was last year? Did they make money or did they lose it?—A. They made a little money.

Q. They would have made \$12,000 more if they had been on their toes?—A. This \$12,000 will be reflected in the national defence revenues, not in theirs.

Q. Then it is the Department of National Defence which was lethargic in this?—A. Yes.

Mr. MACDONNELL: Are they still breaking the law in the Canadian Commercial Corporation?

Mr. CROLL: Who said they are breaking the law? Did Mr. Sellar say that?

Mr. MACDONNELL: You remember a year ago they were breaking the law.

Mr. CROLL: I remember you telling that to the public of Canada, but they did not believe you. I think your question is badly worded, Mr. Macdonnell.

By Mr. Wright:

Q. Just under what Acts is the Canadian Commercial Corporation operating and what control is there with regard to the letting of contracts? What conditions are imposed? I refer to the old Defence Purchasing Board, which operated under the Defence Purchasing Act, and as of 1938 or 1939, the Defence Purchasing Board lapsed when the Department of Munitions and Supply was formed during the war. Instead of going back after the war to the old Defence Purchasing Board and the Defence Purchasing Act, which had a lot of safeguards with regard to the letting of contracts and the conditions under which supplies should be secured in Canada, we started to purchase our military supplies in Canada under the Canadian Commercial Corporation and through them. Originally the Canadian Commercial Corporation was set up for the sole purpose of purchasing short supplies, that is supplies which we did not have in Canada or setting up reserves, and their power was extended to cover the purchasing of defence material and war materials for the Defence Department. As far as I can find out, there is very little control over the methods that they are using at the present time. Later, I hope the officials will be brought before this committee.

Mr. MACDONNELL: I will show you an \$800,000 item in a minute,—

By Mr. Wright:

Q. I am asking you now just what safeguards there are, to your knowledge, to protect the public with respect to purchases being made through the Canadian Commercial Corporation?—A. The Canadian Commercial Corporation makes its purchases for national defence by applying the Munitions and Supply Act. That Act has never been repealed and is still operating. The Canadian Commercial Corporation in purchasing for national defence is exercising powers delegated to it as his agent by the Minister of Trade and Commerce, who is the minister who administers the Munitions and Supply Act. Therefore, the first checks on the operations of the Canadian Commercial Corporation are those of the Munitions and Supply Act, of course, this Act provides that whenever any proposed contract exceeds \$15,000 the Governor in Council shall approve the contract.

By Mr. Macdonnell:

Q. Which minister?—A.. The Minister of Trade and Commerce. Those are your statutory safeguards, sir.

By Mr. Wright:

Q. They are the only safeguards?—A. Whatever is in the Munitions and Supply Act. I assume the regulations of the Canadian Commercial Corporation are designed or have met with the approval of the Minister of Trade and Commerce because various civil servants are the directors of the Canadian Commercial Corporation.

By Mr. Thatcher:

Q. Have you any idea of any other department in the government which is not taking advantage of cash discounts? The reason I ask is this: I have heard of many experiences where governmental departments would purchase something and the wholesaler or the manufacturer would wait for months and months to get paid. The account would go from one department to another, apparently, and be approved by some other department, and by the time it got back it might be months later, and it occurred to me that if this happened in very many departments, the taxpayers might be losing very substantial amounts as far as cash discounts are concerned.—A. I would like to have a specific instance of what you are telling us about so that I can trace it down. I can give you an

instance I know of. A weekly newspaper was requested to carry an advertisement for the Department of Public Works calling for tenders. It carried the advertisement and in due course sent its account to the Public Works Department for payment, but the Public Works Department cannot pay forthwith, the Public Printing and Stationery Act calls for it being approved by the King's Printer first, so this account went to the King's Printer and was approved by him. Then it came back to the Public Works Department. There was a delay. Finally, the editor wrote a letter to me and said our system was very poor and blamed me for it, so I personally had to trace it through. But generally speaking your main complaint must be in connection with National Defence orders where they are spread out over the country and where it takes time to get in the paper.

Q. The point I am making is that the Dominion Government must be purchasing millions of dollars worth of goods in a year from various sources, and what I would like to know is whether you know, as auditor, if the government in every case possible is taking their cash discounts?—A. When you say in every instance possible, I may say I do not examine every account, but a standing instruction to my supervision is to watch to see if advantage is being taken of trade discounts and if departments, when they are contracting, are seeking to get a trade discounts provision included. In the audit last year, the only department that came forward as are not getting all trade discounts it was entitled to was National Defence, so now a direct answer, I cannot give you cases, and therefore, I think the system is in very good order.

Q. Would you say the average account of the Dominion of Canada is paid within thirty days?—A. No.

Q. If it were not paid within thirty days, would they not get the cash discount?—A. Many accounts have no provision for cash discounts.

Q. Most accounts would give you a cash discount for prompt payment.—A. As I say, we watch to see if the departments are taking advantage of the provision for cash discounts. I have seen cases where we have taken cash discounts when more than thirty days have passed in the hope a supplier would not come back to claim this money. I have seen that done.

Q. I would think in view of the amount of purchasing the federal government must do, we should look into that later on.

The CHAIRMAN: I have given a lot of latitude to this discussion, but I really think that a full review of this question of discounts should be left till later on.

Mr. RICHARD (*Ottawa East*): Is it not impracticable from this point of view, that the government requires an inspection to be made of the goods that they receive, of the merchandise that is sold to them, and in order to make this full inspection they would rather wait thirty days before making the payment.

The WITNESS: In connection with National Defence that is particularly true because you will have shipments going to several ordnance depots where inspections and counts are made, and the paper has to flow through to the central point for the cheques to issue and when you have to have the various approvals in the department thirty days can pass very quickly.

By Mr. Thatcher:

Q. That is one of the points right there.—A. That is administration. I cannot help you, sir.

By Mr. Browne:

Q. Just one question, Mr. Chairman. Is there any central department of supply to do the purchasing for the government, or does each department do its own purchasing?—A. With the exception of National Defence.

Q. There is a department of supply for all the other departments?—A. No, no, every department buys for themselves, except the Department of National

Defence. As was stated, in 1939 there was legislation taking away from the Department of National Defence the power to buy and it was placed under a board. Now it is under the Canadian Commercial Corporation.

The CHAIRMAN: Gentlemen, we are now on the Department of National Defence. Can we not stay on this subject and revert to item 78? We are at the moment considering the Department of National Defence.

By Mr. Browne:

Q. Item No. 78 refers to vote 244. That is a very large vote of millions of dollars out of which there have been appropriations made for scholarships. How is that controlled, Mr. Sellar? The vote itself runs into \$19 million, and there are no details given in the estimates?—A. May I read to you from their Act, section 8, sub-paragraph 3:

Subject to the approval of the Governor in Council, the Defence Research Board may (a) enter into contracts in the name of His Majesty and establish scholarships in connection with and make grants-in-aid for research and investigation for national defence.

The control is partly with the Governor in Council.

Q. Who allots the money out of that vote? You see, the vote is for \$19 million, and this only deals with a \$200,000 amount. How is it segregated?—A. The Consolidated Revenue Act, section 26, requires at the beginning of each fiscal year, the deputy minister or other officer concerned to submit to the Treasury Board a proposed allotment of the vote for the year. Once Treasury Board has approved those allotments they may not be varied without the consent of the Treasury Board. What happened in this case was that the Defence Board applied for an allotment for research and scholarships and set up that amount out of your big vote.

Q. Are there any rules about those scholarships or are they just given by the Governor in Council or by the board?—A. They are made by the board.

Q. Without approval from the Governor in Council?—A. Specifically I do not think there is approval by the Governor in Council. I would have to verify all that. What happens is this. This is in connection with research and scholarships, and you never can tell when a research project is going to finish. The scientist may find an answer in a week, or he may take ten years and then never find it.

Their practice is to allot within their items a certain amount for research and a certain amount for scholarships, and then they will make some advances to start off with and if it does not get anywhere they may drop it altogether. On the other hand, it may be a matter of a scholarship. Let us say they have a promising individual, a man who is qualified for everything except one particular line, they may give him a scholarship to go off and take a special course, maybe for one or two or three years, whatever time it may take. That is how they handle it.

The CHAIRMAN: Are there any further questions on items 74 to 78?

Mr. MACDONNELL: A point has come up as to which I wanted to ask this question; why was it that the Canadian Commercial Corporation was allowed to do their purchasing? I suppose that was because they were set up to take care of the contracts, there being so many of them.

The CHAIRMAN: I think that would be a question of policy which the Auditor General could hardly answer.

Mr. MACDONNELL: But my thought was that he might guide us.

The CHAIRMAN: Yes, but I do not see that it is any use for us to go into that. That is a matter of government policy. Now then, is there any particular item you would like to have called?

Post Office Department

Mr. MACDONNELL: Yes, item No. 42. Now, I recall that when we were discussing that point the other day the fact was brought out that in the case of the Post Office Department they were not charging for everything. I am dealing with the last item in 42. One thing to which I wanted to attract particular attention is this—and it seems to me very undesirable—that the Post Office Department does not charge for the carrying of mail on those steamship services that are subsidized by the government. Now, that it seems to me is a matter we ought to look into because I think it is very unsound. Here you have a subsidy given by the government, it is simply based on what the steamship company earns, and yet the Post Office Department does not pay for the service. That seems to me a little unusual.

The CHAIRMAN: What is the question you want to ask?

Mr. MACDONNELL: My question is based on this item.

The CHAIRMAN: Was that on the item I called?

Mr. MACDONNELL: Yes, and I am asking you to have the witness answer it.

The CHAIRMAN: That is one of the things for the steering committee to consider—I mean the advisability of calling the Post Office officials, or the Department of Finance.

Mr. MACDONNELL: Whichever is useful.

The WITNESS: Or the Marine Commission.

The CHAIRMAN: Now we are studying these items of the Post Office Department, item Nos. 42 to 44 inclusive.

Mr. BROWNE: May I ask a question on that?

The CHAIRMAN: Yes.

By Mr. Browne:

Q. What you have reference to there relates to the carrying of mails?

—A. Oh, yes.

Q. And they are carried by these steamships?—A. Yes. What I mean is this, you are dealing with subsidized services. Subsidized services for a great many years were handled by the Department of Trade and Commerce but in more recent years they have been placed under the Maritime Commission.

Mr. MACDONNELL: Does that apply to the east coast?

The WITNESS: To both, the east coast and the west coast and deep water. The purpose of these subsidies is not the carrying of mail but rather to give services to communities who do not have rail facilities or road facilities; it is to carry their goods and provide them with a service. The person who gets a subsidy has to agree to have his accounts audited to establish what his profits are and to determine whether or not the subsidy is justified. Now then, the government decided many years ago—I do not know which government did it but some government did it—that if a service was going to be subsidized it should be required to carry mails without making any charge. As a matter of fact, in any case where a subsidy contract is made they have to carry all government mail and certain categories of government officials without charge.

Mr. BROWNE: Could we have some of the steamers you are referring to; does that include the West Indies service?

The WITNESS: No, not the West Indies service, it is mainly local services. They are listed in the estimates, sir.

Mr. MACDONNELL: On what are the subsidies based?

The WITNESS: The subsidies are based on the opinion of the Marine Commission as to what is necessary to meet local requirements. If you have an estimate book there, sir, if you will look at 310, you will find details there is an example.

Mr. BROWNE: Oh yes, those are local.

The WITNESS: In the main, they are local services. I am just drawing your attention to that. It is not the trans-Atlantic mails.

The CHAIRMAN: Are there any further questions on Post Office revenue, items 42 to 44?

Mr. MACDONNELL: Yes, item 43, the last sentence there expresses the opinion of the Auditor General:

Either the profit or loss on each service should be disclosed, or the financial transactions of Post Office be managed as commercial rather than departmental accounts.

We know what that means, but how are you going to introduce commercial practice, having everything done on a common commercial basis in this department? Is that not going to be rather difficult? You see what I mean?

The WITNESS: Yes sir. What I mean is this: Parliament fixes the rate for first-class mail and also for newspapers, while parcel post and rates of all the other mail services are fixed by the Postmaster General. It could happen—I do not say it does, but it can happen—that the rate parliament fixes may be more than necessary to carry the Post Office by reason of the substantial profit being made on these other services and vice versa. My thought is this, that the Post Office Department is very well run department and has a very excellent cost accounting service; but either the Post Office Department's annual report should set out what are the revenues from parcel post, what are the costs of carrying parcel post; or, alternatively, why not say to the Post Office Department: here you have a certain sum of money, run your own business—that is what I was meaning, sir.

Mr. CAVER: May I ask a question there? The Post Office Department has many ancillary services which it performs for other departments, such as the selling of radio licences and other different domestic matters. Do they receive any revenue from other departments for the work which they do for them?

The WITNESS: Yes, sir, with the exception, as I pointed out in the paragraph, that they do not receive anything for the redemption of war savings stamps for the Department of Finance. Also, they have always regarded the Post Office Savings Bank as really being a function of the Department of Finance rather than their own, but they carry on the business.

By Mr. Johnston:

Q. You make one reference there to the franking privilege, that in your opinion the Post Office Department should charge for that. Can you tell us what the practice is in the states in regard to that particular thing?—A. No sir, I am sorry I do not know.

Q. What I have in mind there is this: does the Post Office Department in the United States charge members for their own mail or do they have a frank? —A. I don't know. Remember I am not speaking about the frank you are referring to, the franking privilege enjoyed by members of parliament and senators. What I am talking about is the government departments. Your constituents live out all over the country. If you happen to be the member for Ottawa, let us say, anyone in Ottawa can come, write to you or see you, but any person living outside of Ottawa is under the difficulty of having to write to you,

and I think it is right that he should have the privilege of addressing you without putting a stamp on his letter, so that he is on the same basis as a person living here on the spot. What I am talking about is a different thing, I am talking about the departments.

Q. I see.

By Mr. Thatcher:

Q. Do you mean that the other departments would pay the Post Office Department, is that your point?—A. What I mean is this, that when I put mail out from my department that mail should go through the meters at the post office and at the end of the month the post office should charge me postage just as though I had put stamps on it.

Q. Would that not be just a bookkeeping entry in so far as the taxpayer is concerned? What does it matter to the public whether the Post Office Department does or does not charge you for carrying your departmental mail? It does not make any real difference, does it?—A. Well, I go even further than that. I think everyone who sends letters out ought to be required to put stamps on them. I also think that if we were to do that, if we had to pay for postage, a lot of people would be more careful as to what they mailed and so there would be indirect savings.

Mr. JOHNSTON: Do you think that would be a material saving?

The WITNESS: You would have to have experience to prove that.

Mr. BROWNE: Do any of the departments buy stamps?

The WITNESS: We pay postage on everything we mail away from Ottawa. If I have an office outside of Ottawa and mail out a letter from there it carries a stamp. Here in Ottawa, of course, it is not stamped, it goes through on the frank.

Mr. BENIDICKSON: That is the department referred to by the Minister of Finance in his budget speech this year.

Mr. JOHNSTON: Did you say you put stamps on your letters here in Ottawa?

The WITNESS: No, I said that when I mail a letter to any point outside of Ottawa it is stamped, I use postage.

Mr. PRUDHAM: Is there any way of finding out the value of stamps used on cheques?

The WITNESS: No sir. I think one of the departments has made an attempt to estimate that. Originally the Act provided that you must use excise stamps on cheques, but that kind of tax was so unpopular that the minister, to whom I was secretary at the time, said that he had too many complaints that he was going to make it as easy as possible for the taxpayer, and much against the will of the Postmaster General he provided that you could put any sort of a stamp you liked on a cheque, and that was done back in the 1920s, sir.

The CHAIRMAN: I think while we are on these items relating to the Post Office Department we had better clear them up. Are there any further questions on these items?

Mr. PRUDHAM: If we are still on the Post Office items I would like to ask Mr. Sellar if he could make an estimate of what that amount used on cheques would be; is there any way of determining that?

The WITNESS: The Post Office have made a calculation and they gave me the figure, and that is why I was pausing, to see if I could recollect the figure but I cannot; but if you were to ask the Deputy Postmaster General he could probably give you that figure, or Mr. Sim. I haven't got it.

The CHAIRMAN: Department of Public Works, items 45 and 46.

Department of Public Works

By Mr. Johnston:

Q. On section 45, I see there is a reference there, about the middle of the paragraph, to the commissions paid in the Hull-Ottawa area; that in some cases it is 5 per cent while in other cases 10 per cent is paid. I assume from your observation that the payment of 10 per cent is contrary to the Act; is that so?—A. No sir, no, there is no provision. The reason I draw your attention to this is that there is no provision in the Act for the Department of Public Works collecting its revenues by other than its own staff. That particular 10 per cent item there, sir, is capable of a very simple explanation. Those are rents that are collected from properties expropriated by the government, and actually the fellow who gets the 10 per cent doesn't get as much out of it as the fellow who only gets 5 per cent. They are real estate firms.

Q. Why should that be? I don't want to dispute your word at all but it does seem to me strange that rents should be harder to collect in the Hull-Ottawa area than in certain other areas like say Toronto.—A. There are three in Ottawa, sir, and I am talking about the one who gets this 10 per cent.

Q. Who would they be?—A. They are Theo. Lambert, F. X. Laderoute and the Industrial Collection Agency.

Q. And the Public Works Department owns the properties involved?—A. They are properties which have been expropriated on the waterfront of Hull, on the other side of the river, and there are several properties which have been expropriated along Wellington Street. They are not residential properties in the true sense of the word, nor are they commercial properties, but rather a mixture of the two. Under this arrangement it costs less than it would to have the civil servants do it. But I thought I should bring it to your notice, that it was not contemplated that we should collect rents by other than public officials.

Mr. BENIDICKSON: I think 5 per cent is reasonable but 10 per cent is rather unusual.

Mr. RICHARD: I could say something on that.

Mr. JOHNSTON: Is 5 per cent the normal rate charged for collecting rentals?

The WITNESS: But remember in this particular case the total amount of rental involved for the year was only \$400.

Mr. RICHARD: I can say something about that, Mr. Chairman. These properties were all, a very poor class of building; and, as a matter of fact, many of the tenants of these properties have been in my office on many occasions when they would be three or four months behind in their rent—the rents run about \$16 a month—and they would be out of work and the collector would be after them and so on. They are not properties which it was ever intended should be used as homes, but when people are up against it they have to have some place to live.

Mr. JOHNSTON: It may be that the properties are not worth any more than that.

Mr. RICHARD: That is the point; but these are the class of people who couldn't find accommodation anywhere else and you had to have some place to give them shelter.

Mr. JOHNSTON: It does seem to me that it is rather a poor precedent to set, because it is rather debatable whether a fee of 5 per cent should have been allowed in one case and 10 per cent in another.

Mr. RICHARD: But the 5 per cent properties were easier to collect from than those for which a fee of 10 per cent was charged.

By Mr. Johnston:

Q. There is another item there in the next paragraph, 46, about which I should like to have some information. I see that you refer to the fact that there are ten tenants; are those the tenants to whom you referred in discussing section 45?—A. No sir.

Q. What property is it that you referred to there?—A. That property is the one that runs parallel with the Printing Bureau.

Q. Is that the ladies' residence?—A. No, it is further up this way, just where the light is, opposite there, nearly facing the church.

Q. And those tenants were all private families?—A. Yes they were all private families.

Mr. BLUE: While we are on that item 45, can you tell us whether the government carries insurance on all government buildings?

The WITNESS: No, sir. There is an old order in council, going back sixty years, saying that the government will carry its own risk.

Mr. JOHNSTON: Before you leave item 45, Mr. Chairman, there is one question I would like to ask which relates to this 5 per cent and 10 per cent fee. Is there any other insurance where there is a fee of 10 per cent paid?—A. No, sir. There are these cases in Vancouver, Winnipeg and Montreal and Ottawa where the fee of 5 per cent is paid, and there is this small one in Ottawa where 10 per cent is paid.

Mr. BROWNE: Can we go on to the next page now, to items 47 and 48?

The CHAIRMAN: Are there any more questions on these items we now have before us? All right then, we will take up 47 and 48, Appropriations and Application of Votes 47 to 57 inclusive.

*Appropriations and Applications of Votes**By Mr. Browne:*

Q. These items would also include supplementary estimates, I suppose; and I assume that there would also be lapsations in those as well as in the main estimates?—A. These include the supplementaries sir.

Q. Would the amount of lapsations be as great with respect to the supplementaries as with the others or would the lapsations be larger for the supplementaries?—A. If you will look at paragraph 54 I refer there to a supplementary item where there was a larger lapse. There I give you the main estimates and the supplementaries and show the amounts which have lapsed.

Q. There were some of them included there?—A. But understand, sir, that a great deal stems from the fact that too many small votes are made.

By Mr. Macdonnell:

Q. I want to ask a question about National Health and Welfare where I see the amount is \$23,000,000, and Mines and Resources where the amount is over \$5,000,000, and I would like to ask the witness to comment on that. I would also like to know if departments make a habit of doing it that way. I may say that it looks to me to be very sloppy, so to speak. I suppose that is not a fair statement. But I see, further, that the lapses in the case of the Department of Public Works amounted to \$33,000,000. I was just wondering whether all concerned are really trying to be as economical as they sometimes profess to be.—A. With respect to both of these cases there is a very simple explanation. If you will look at paragraph 49, sir, you will see that the National Health and Welfare lapses are in connection with the health grants to the provinces; you will see that they were for hospital construction and in connection with that item the lapses amounted to \$10,776,000, and for the prevention of

mental illness it amounted to \$3,500,000. The reason was, you remember, that that is the year when a start was made on these welfare projects and they were still organizing and they had not made the progress they had expected.

Q. Well then, let us take a smaller item, External Affairs, where the lapses amounted to \$1,367,000, and Transport where it was \$15,433,000. By the way, I see that National Defence is comparatively small. We understood that they had a big one.—A. National Defence is under another heading.

Q. We will come to that then. Well, then, let us take one or two of these, let us say a small one like Finance or a large one like Public Works.

The CHAIRMAN: What is your question?

Mr. MACDONNELL: My question is this. I asked the witness if he could give us any indication as to how these huge amounts arose.

The WITNESS: Which one would you like, sir?

Mr. MACDONNELL: I would like to take a small one; let us take Fisheries, \$1,167,000.

The CHAIRMAN: Let us deal with that then.

The WITNESS: You want that Fisheries item?

Mr. MACDONNELL: Yes.

The WITNESS: Yes, it was \$1,167,000—that was on fish inspection, including fisheries officers in connection with Fisheries control and protection services—there is half a million dollars there; there was a lapse of approximately \$150,000 in the vote to provide for the construction of or to assist in the construction of vessels of the draeger or long liner type; and there are other various small votes—there was a lapse of \$105,000 in connection with transportation, dressing and dyeing and other expenses incidental to receiving and disposing of the fur seal skins.

Mr. MACDONNELL: Is it not awfully hard to square these big amounts with the idea that estimates are closely scrutinized?

Mr. THATCHER: Would Mr. Sellar be the one to deal with that, Mr. Chairman?

Mr. MACDONNELL: I was asking a general question. Is it not awfully difficult for him to square these big lapsings with the estimates to which they relate, and with the statements that have been made? I am sure they are sincerely trying to do it, that Treasury Board are cracking down, cutting here and there to the very lowest terms. It seems to me it is rather difficult to do that.

The WITNESS: You have to bear in mind, sir—another department you were referring to was Transport, and also Veterans Affairs.

Mr. THATCHER: And Public Works.

The WITNESS: And Public Works. Well, the explanation is this; bear in mind that you are thinking in terms of the year 1948, that was the big construction year when everything in the supply position was tight and a general order went out that all departments were not to buy any materials unless it was absolutely necessary and the result was that a department such as Public Works and Transport did not proceed with a good many projects for which they had had money voted.

Mr. BENIDICKSON: I know that in my constituency there were several items of the estimates which later on because of the general situation were not proceeded with.

Mr. MACDONNELL: I can understand the situation with regard to a large department such as Public Works or Veterans Affairs, there were supply

difficulties there. May I take one of the departments where the amount is not so large; for instance, External Affairs, where it was \$1,367,000. What is the explanation there?

The WITNESS: The department apparently was able to carry on with \$125,000 less than they expected. Representation abroad was \$1,100,000 less than required. That is where the two big items come from.

Mr. MACDONNELL: It seems to me to be important, Mr. Chairman.

The CHAIRMAN: I think you should get that information from the officials.

Mr. THATCHER: May I put my finger on one item. I notice under vote 797, cancer control, parliament passed an item of \$3,500,000 and of that amount \$2,633,000 was allowed to lapse. I wonder how on earth that could happen when we are trying to do something about cancer. Why would they let the biggest part of that lapse? Have you any information about that?

The WITNESS: My recollection is that that was subject to an agreement with the provinces, where the provinces undertook to develop certain plant.

Mr. BENIDICKSON: And the provinces did not come forward with the additional money.

The WITNESS: The provinces were not ready to carry out their plans and so it was not until the next year that they actually needed the money.

Mr. THATCHER: That would be true also in connection with some of these other votes.

The WITNESS: What I am getting at there is, that the money could not be used because the other people were not ready to go ahead with their part of the general scheme.

Mr. THATCHER: Could I ask a special question about the provinces there?

The CHAIRMAN: Yes.

By Mr. Thatcher:

Q. I do not want you to go to a lot of trouble, but can you tell me whether the Saskatchewan grant was used or is it still available there? I do not want you to go to a lot of trouble in getting the answer.—A. You mean in that particular year?

Q. Yes.—A. Under the scheme, in my opinion, the province of Saskatchewan was paid a little more than it should have been.

Q. Then they used it all?—A. Through the fact that Saskatchewan was given an advance for the work in the month of February whereas actually the work was not carried through until later in the year, and I challenged the payment for February and March as belonging to a previous fiscal year. In anticipation that I would be asked a question about that I asked my man to verify it and he said that the province of Saskatchewan carried out its project during the year.

The CHAIRMAN: Are there any further questions on items Nos. 47 to 57?

By Mr. Macdonnell:

Q. What about item No. 50, loans and investments totalling \$41,467,677? I would like to ask about this loan of \$1,250,000 to the Canadian Broadcasting Corporation. Would Mr. Sellar be able to tell us—my impression is that that is only a part of what they get. I do not know which year it was in but I saw an amount of \$4 million somewhere.—A. That is later, sir. I think you will find that the \$4 million item is the one that they are now operating on, as it were. This is up to March, 1949.

Q. Is this vote a loan or an investment?—A. They are required to pay interest on it. I do not know if we will ever get it back.

Q. Sometimes that doesn't mean very much; I mean paying interest.

MR. JOHNSTON: How much interest? What rate?

THE WITNESS: Three per cent.

By Mr. Macdonnell:

Q. They pay interest on this also apart from getting a government grant?—
A. You are treating this \$1,250,000 as being a grant?

Q. No, I was not really, but is there not a grant?—A. No, they get the proceeds from the sale of licences and their income from commercial advertising. They get the \$2.50 licence fee.

Q. In one sense that is a grant and in another it is not.

By Mr. Johnston:

Q. Do they have to pay for the collection of those fees out of that \$2.50?—
A. No, sir. Parliament two or three years ago amended the legislation so that they get the gross. The Department of Transport now has to pay the cost of collection.

By Mr. Benidickson:

Q. You were referring a minute ago to a matter of health and welfare in response to a question by Mr. Thatcher when he was referring you to paragraph No. 49, vote No. 797, and in reply you made an explanation of that overpayment to Saskatchewan. I find that this is also covered in paragraph 81. Is that correct?—A. \$15,584.

Q. Yes, that is right. That deals specifically with an overpayment in connection with combating tuberculosis?—A. Yes.

Q. And then you drew the general observation that one could assume that probably they had used up pretty well all the money they were entitled to under the health grants because they had overdrawn on this particular vote?—A. No, they had not overdrawn. They spent the money before this scheme came into effect, but their argument was they spent it after it had come into effect and as the department was pleased with the way they were doing things they did not want to quibble over it.

Q. This vote 797 represents ten different forms of health assistance given to provinces and it is quite possible that Saskatchewan or any other province may have used all the money that it was entitled to under one item but not necessarily used all the moneys granted to them that year.—A. That is right, sir.

THE CHAIRMAN: Has anyone further questions on item 81? That then disposes of item 81. Are we through with items 47 to 57?

By Mr. Thatcher:

Q. Item No. 51. Take that Labour figure of \$2,787,148.94, does that include employees of the Wartime Prices and Trade Board?—A. No, sir. Wartime Prices and Trade Board is under finance. You are referring to this \$2,787,000 figure for Labour. If you will look at the next item, 52, you will see this is in connection with vote 143, vocational training for discharged members of Canada's armed forces. The lapse was \$2,228,268.

Q. I wanted to ask a question about the Wartime Prices and Trade Board. Where would it be proper to do it?—A. It is under the Department of Finance.

Q. Right now, then; would this be the time?

THE CHAIRMAN: Yes, if it deals with lapsings.

By Mr. Thatcher:

Q. You know, this department is being gradually closed down. Are the employees being dismissed or are they being put in other departments or what is being done?—A. Well, I think a little of everything has happened. They are drifting away. Naturally, a person does not want to stay with a dying activity. There is no future. Therefore, they are drifting away. They had, for example, a clerk from my office during the war, and they released her back to me some time ago. She is sixty-five years of age and she is taking her retirement now. I know of an officer in the Department of Finance, who was with the Wartime Prices and Trade Board, and I think that their comptroller has recently gone to the Canadian National Railways. All that sort of thing is going on. The people there now are mainly employed in connection with rentals.

Q. Have any of the employees of the Wartime Prices and Trade Board been deliberately dismissed? I would put it that way.—A. I would have no knowledge of that, sir.

Q. Who would we have to get to answer that, the minister?

The CHAIRMAN: You can get the officials of the Department of Finance.

The WITNESS: The Chairman of the Wartime Prices and Trade Board.

By Mr. Thatcher:

Q. Are you of the opinion that the five hundred employees who are still there are genuinely needed at the present time?—A. I have no idea, sir. They are spread all over the country and they are mainly employed in connection with rental control.

Q. It does not seem to me that the figure of employees in that department is going down as rapidly as it should in view of the things they are looking after.—A. One of the Assistant Deputy Ministers of Finance is also Chairman of the Wartime Prices and Trade Board. He could answer the question better than I could.

By Mr. Browne:

Q. In regard to vote 583 on page 16 item 52, is it a coincidence that the difference between the lapsed amount and the main vote is exactly \$11 million, for which the cheque was drawn in item 67? Do you notice that the difference between the amount lapsed is \$11 million exactly, and on the 30th of April you say a cheque was drawn for \$11 million?—A. No, the amount that lapsed was \$6,200,000, and if you subtract that from \$17,200,000, you get \$11,000,000, and that is the amount on the cheque that was issued.

Q. That is the amount of the cheque that was drawn that day?—A. The whole thing would have lapsed only for that cheque.

Q. I see. There was nothing spent from that?—A. No, sir.

Q. You do not know why?—A. You would have to ask the Department of Finance.

By Mr. Macdonnell:

Q. Coming back to item 51, demobilization and reconversion appropriations; what is that?—A. That was the title that was used that year in dividing up the votes.

Q. Does that mean that that is a special agricultural item?—A. Yes, sir.

Q. And it has nothing to do with agriculture on the preceding page?—A. No, sir.

Q. Demobilization and reconversion appropriations. How does agriculture come into that?—A. You see, sir, in paragraph 52, the Meat Board had a lapse of \$1,568,336.

Q. What has that got to do with demobilization and reconversion appropriations?—A. That is the way they were listed in the estimates, sir, under those titles.

Q. Did it ever have anything to do with demobilization and reconversion?—A. The effort that year was to try to get the estimates back towards the pre-war standard of having all normal services of government under the ordinary estimates, but this item that we are speaking of, they thought would disappear in due course, and put it under demobilization and reconversion.

Q. Is there any sign of this disappearing?—A. If you look at the Department of Agriculture estimates for this year you will see they have a new title; "Terminable Services". It is still an effort to identify service as something that is not going to be perpetuated forever, now, they hope, is just a transitory service.

Q. Now, this is the lapsing of \$50 million. Where is the amount appropriated? Where do we find that?—A. As I say, I have not the full figures here. These two items, the Meat Board, \$6,153,702, and the other for the purchase of creamery butter \$1 million, these two items amount to \$7,153,000, and as I said, there was a \$2,568,000 lapse. I have not information on the other items.

Q. If you add these two together—for example, if you take agriculture and these two different items, one on page 13 and the other on page 16—you get \$15 million altogether there, and labour gives you about \$3 million altogether—but I do not want to pursue this unnecessarily. The word "terminable" is more intelligible than this.

THE CHAIRMAN: Have you any further questions under these headings, gentlemen? If not—

By Mr. Blue:

Q. On item No. 50, vote 664, purchase and placing in storage of strategic reserves. What materials are covered by this amount of \$2,809,000?—A. That was the tin that was acquired from China under the quota that Canada was entitled to get so much and this was, in the main, tin. There was some antimony there. They are all minerals.

By Mr. Thatcher:

Q. Item No. 52, Mr. Chairman. Could you tell me whether the National Film Board does air photography? I notice there is an outside firm doing it for the Department of Mines and Resources?—A. I am sorry I cannot inform you on that.

THE CHAIRMAN: We are just on the lapsings. I do not think the witness is the one to answer questions of that nature.

By Mr. Macdonnell:

Q. Coming back to item 50, Canadian Arsenals Limited, there is a vote there of \$2,500,000. They are a sort of separate institution apart from the Department of National Defence?—A. Canadian Arsenals Limited is a corporation set up to operate the arsenals, to operate the small arms plant at Long Branch, what is left of Research Enterprises, and various other activities. This \$2,500,000, which lapsed was an authorization to increase their working capital by that amount that year and they did not need it.

Q. Is their statement here?

By Mr. Thatcher:

Q. It is in the public accounts. They are a crown corporation?—A. Yes, sir, they are incorporated. On certain of their activities they naturally make some money but on others they have a loss because there are some standby plants for war needs if they ever arise.

By Mr. Browne:

Q. I want to refer to item 53. What is the authority for that amount voted for Steep Rock Mines, vote 525, construction, \$197,397? Is that under loans and investment?—A. Loans and investment—the provision is, if I recall my facts correctly, that the Canadian National Railways, in connection with that mining proposition, constructed a spur line and certain wharf facilities, with money advanced by the Dominion Government. In turn the Canadian National Railways is to recover this outlay by a special charge for all ore that goes over the dock.

Mr. Browne:

Q. Is there any other vote besides that one? That seems a small amount, \$197,000?

The CHAIRMAN: That is just the lapsing.

The WITNESS: It is not a big operation, sir, in dollars.

Mr. BROWNE: Mr. Chairman, I do not think that is not a lapsing; I think that is an investment.

The WITNESS: Wait a minute. You are referring to Snare River?

By Mr. Browne:

Q. No, Steep Rock Mines, vote 525. That is actual construction, a short spur.—A. A spur and a dock.

Q. Has any other money been advanced by the Dominion of Canada to Steep Rock Mines?—A. My recollection is that not a cent has been advanced.

Q. Or by the Canadian National Railways?—A. No, those are the only two things, a spur and a dock.

By Mr. Macdonnell:

Q. Wartime housing: we have an item there for \$61 million. Is there any lapsing there or is that presumably all used?—A. Wartime housing was handled by the Central Mortgage and Housing Corporation. Is that the one you are referring to?

Q. Do we get the annual statement of Central Mortgage and Housing Corporation?—A. One is tabled, I imagine, in the House of Commons.

Mr. JOHNSTON: Why would you have it in here unless it was lapsed, and apparently nothing has lapsed?

The WITNESS: These are loans and advances. These are not lapses. These are loans.

By Mr. Macdonnell:

Q. Wartime housing, is that item under demobilization and reconversion?—A. They have dropped that title now, but that year, yes.

The CHAIRMAN: Are you satisfied, gentlemen, about these items?

By Mr. Macdonnell:

Q. Item 54. Look at the supplementaries there in the year-end lapsing. It seems to be poor estimating. Let us see here,—in what part of the year do we make supplementaries? I do not suppose we can go on with that. Year-end lapsings are bigger than the supplementaries. What is the passage of time?—A. In those cases, some of these lapsings were due to the fact that they expected to undertake work and they got supplementaries in general for that purpose.

Q. Would that be true in forests entomology?—A. No, it would be canals, as an example.

Q. Take subsidies for cold storage warehouses: the supplementaries amounted to \$620,000 and the year-end lapsings amounted to \$758,000. It is awfully hard to understand that.—A. The reason for that would be this: that no subsidy can be paid until the claimant can satisfy that he has carried out so much work. He has to complete his job before he is entitled to any money. If he were held up for supplies or anything else, he could not get it.

By Mr. Browne:

Q. In item 51, let us take finance, \$10,873,000. Supplementaries amounted to \$5 million, yet the amount that lapsed was \$4,883,000. What is the explanation of that?—A. That was a general vote made to the Minister of Finance to provide for adjustment of salaries throughout the public service. You remember there were certain adjustments being made, revisions upward, and the Department of Finance said each department must finance these increases in their own votes to the full extent that they could. They did and therefore these lapsings took place.

By Mr. Wright:

Q. Would the auditor-general give us some explanation about the Snare River Drainage Basin costs in the Northwest Territories?—A. Snare River Drainage Basin is the power project in the Northwest Territories. Originally that was started with a vote under the Department of Mines and Resources as an expenditure proposition. Two years ago parliament indicated that there should be a Northwest Power Commission which should do that, and in the Act it is provided that loans be made to this Power Commission and simultaneously directed that the expenditures already written off should be capitalized by the Power Commission giving debentures for them. That was the origin of the Snare River project. They did not spend as much money as they expected right there and when they came along that was the estimated amount of the value of the project down to date.

Q. Does that project supply electric power to Eldorado?—A. No, sir, they supply power to Yellowknife.

The CHAIRMAN: Are we through with these items, gentlemen?

By Mr. Macdonnell:

Q. Item 56, loans, advances and investments of \$684 million. I notice among those items that mention is made of the Export Credits Insurance Act; that an expenditure of \$86 million was made under the authority of this Act. Now, we got that amount; of course, that is not an offsetting item?—A. Export Credits Insurance Act: bear in mind what that was. That was the one that provided for loans to foreign countries. It was not for the Export Credits Insurance Corporation. It was for loans to the various countries throughout the world. I think \$750 million, was the total maximum that you allowed.

By Mr. Johnston:

Q. You record the Central Mortgage and Housing Act, 1945? Was that \$7 million a loan or advance or investment? That is item 56, Mr. Chairman.—A. That was an advance made under the National Housing Act. It was an advance.

Q. What did they do with that, do you know?—A. They used that to carry on their undertaking.

Q. That is overhead expense?—A. No, no. This is for construction. Of course, their overhead would come somewhere out of their capital or their earnings.

Q. When you say they use that for construction, was not the greater part of the money used there? was that not put up by the insurance companies, and

the only expense, as far as construction is concerned, in Central Mortgage and Housing, would be to guarantee against any losses that took place. I understand the losses were very small, so, what would they use that money for in construction? Did you check that?—A. No, sir, they have an authority to make these advances under these particular Acts. The Minister of Finance takes the responsibility for recommending a sum, the Governor in Council approves that, and the Central Mortgage and Housing Corporation have the responsibility to use it. To get the facts, really, you would have to ask the department.

Mr. PRUDHAM: The Central Mortgage and Housing Corporation do put up a part of that money.

Mr. JOHNSTON: They guarantee.

Mr. PRUDHAM: They actually put up part. They advance part of the loan, a certain portion of it. I do not know the exact proportion at the moment.

Mr. JOHNSTON: I understood they guarantee a portion of the loan, but that actually the insurance company supplies the money.

Mr. PRUDHAM: The Central Mortgage and Housing Corporation put up part of the money also..

Mr. STEWART: Have you any idea of the percentage they put up?

Mr. PRUDHAM: I would have to check that. I have an idea, but I would rather check it first.

By Mr. Macdonnell:

Q. The witness said a moment ago that figure of \$86 million under the Export Credits Insurance Act was related back to the large loan we all know we made some years ago. Surely, that was not under the Insurance Act. If you look to page Y-79, you will find the figure is only a flea bite compared to that. I wonder if that is not a misprint?—A. No. To create an insurance scheme, the first year Parliament enacted the Export Credits Insurance Act, then the following year, Parliament added on to it a section, I think, which authorized loans up to \$750 million and thereupon loans were made to such countries as France, Belgium, the Netherlands, et cetera.

Q. You are sure that loans were made under the Export Credits Insurance Act?—A. That is the Act it was voted under. The Export Credits Insurance Corporation had nothing to say about it. The Act was the authority. It was done in that way.

By Mr. Browne:

Q. Has this amount here anything to do with this?—A. No, it has nothing to do with the \$86 million.

The CHAIRMAN: Can we say we are through with items 47 to 57? Have we finished with that chapter? Mr. Macdonnell moves the adjournment.

Now gentlemen, the steering committee will meet tomorrow. I wonder if it would be in order for this committee to sit tomorrow morning to carry on with the auditor-general. We did not cover as much ground today as we had expected. We have to go over quite a number of items. Tomorrow afternoon we can hear the officials of the Department of Finance, as has been requested by many members of this committee, who want to get their views or question them about the brief submitted by Mr. Sellar.

Mr. MACDONNELL: Now, Mr. Chairman, I have to be away tomorrow, but I am not asking that to be considered at all. What is there so pressing that there should be two meetings tomorrow?

The CHAIRMAN: Well—

Mr. MACDONNELL: There are other committees sitting, and some members of this committee are serving on those other committees.

The CHAIRMAN: Yes, but I have looked over the attendance here today and we have only two members of another committee—the Committee on Old Age Security—sitting here this afternoon. As Mr. Johnston expressed it the other day, we should carry on our own work regardless of what other committees are sitting. We have plenty of work to do.

Mr. MACDONNELL: After all, two meetings a day are surely too much.

The CHAIRMAN: If you do not want two meetings I am in the hands of the committee, but I thought that since we have much ground to cover, and there being many representations made here, that we should deal extensively with the brief presented by the auditor-general, and then have the officials of the Department of Finance before us as early as possible. We will have to draft a preliminary report on one item. We cannot wait until the committee has been sitting for one month and then try and pool our views. We should prepare a preliminary report on the first part of our work, which would be a report on the brief of the auditor-general, before that we might have the officials of the Department of Finance, and then after we cleared that, carry on with the balance of our work. But, in all this I am in the hands of the committee.

Mr. STEWART: I have no objections to two committee meetings a day. It is a bit difficult but I can handle it.

Mr. MACDONNELL: I can only ask you not to have two meetings tomorrow. Of course, I represent a minority.

The CHAIRMAN: May I point out to you that you are one of the members who has insisted that this committee do its work expeditiously. This is why in view of the amount of work to be performed I thought we could sit twice tomorrow.

Mr. MACDONNELL: I say I have to be away tomorrow but I am not asking that that be considered. Several of us are interested in this work but we have other committees to attend and I would have thought we were getting along pretty well. Besides, we believe we are several weeks from the end of the session.

The CHAIRMAN: If you are satisfied that we have progressed well up to now, all right. We will adjourn then until 4.00 o'clock tomorrow afternoon, May 4.

The committee adjourned.

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STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

THURSDAY, MAY 4, 1950

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister of Finance

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.h.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



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on
PUBLIC ACCOUNTS

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Cloutier	Macdonnell	Winkler
Cruickshank	Major	Wright

Clerk: A. L. Burgess

MINUTES OF PROCEEDINGS

THURSDAY, May 4, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. . Philippe Picard, presided.

Members present: Messrs. Anderson, Ashbourne, Balcer, Blue, Boisvert, Boivin, Brisson, Browne (*St. John's West*), Cavers, Croll, Denis, Drew, Diefenbaker, Fulford, Helme, Johnston, Langlois (*Gaspe*), Major, Picard, Richard (*Ottawa East*), Robinson, Stewart (*Winnipeg North*), Warren, Winkler, Wright.
—25.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

Mr. Bryce was called and questioned respecting the preparation of the estimates and the form in which they are presented to the House.

At 6 o'clock p.m. the Committee adjourned until Friday, May 5, at 11 o'clock a.m.

A. L. BURGESS
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 4, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, it was agreed yesterday afternoon pursuant to the request of some members who considered it advisable that we were this afternoon to have with us officials of the Department of Finance. The assistant Deputy Minister of Finance particularly concerned with Estimates was called in order that we may ask any questions that the members feel advisable on the different memoranda submitted to the committee by Mr. Sellar. The committee has quite a large order of business, and we thought if we waited until the committee finishes sitting to prepare a report of all its activities it might be a much harder task than if, as soon as we have finished one order of business, we call a meeting of the steering committee and prepare our report on that part of our work.

This afternoon we have with us, Mr. Bryce, Assistant Deputy Minister of the Department of Finance. I would call Mr. Bryce to the table.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, called:

The CHAIRMAN: Gentlemen, have you any questions?

By Mr. Croll:

Q. Mr. Chairman, I do not know whether Mr. Bryce can answer this question or not. Have you the estimate book in front of you, Mr. Bryce?—A. Yes.

Q. Suppose you turn to any page, say page 51, and take an item, any item there, say vote 413. I just took that item at random. Can you tell me or can you tell the committee what procedure is followed in preparing the estimates with reference to any one of the items? In other words, follow an estimate to the point where it reaches us in this blue book.—A. Well, I think I could tell you that procedure in a general way. I cannot be sure that the description I would give you of the procedure, let us say, within the Secretary of State's Department, is precise.

Q. Then give an example of the procedure followed for the preparation of an estimate in your own department or any other department you like. Take one that you know.—A. The process would commence, in the late summer or early fall, because the department would be aware that they will need to submit estimates to the Treasury Board in the late fall or early winter, so they will be making their preparations, in let us say, the patent division of the patent and copyright office, preparations for determining the amount which they wish to ask for, and naturally the program that underlies it. To do that they will have to take into account their plans for any changes in their operations in the next year as compared with the year that is in progress. They will, no doubt, have made some analyses by the time we ask them formally for their

estimates. The formal request will reach the Secretary of State's department from the Treasury Board, normally in mid October or thereabouts. It will reach them in the form of a letter from the Minister of Finance asking them to submit their estimated requirements for the main estimates of the following year. In that letter he will give a general indication of the policy that the government proposes to follow in regard to estimates in the subsequent year. That will be followed immediately by a letter from the director of estimates on the technical aspects of the form in which they shall be submitted, the way in which this item or that item should be supported. For example, if you look at page 266, you will find what we call the primaries for this patent division and that will show you the amount required for salaries, for printing, for stationery and office equipment and for sundries. In this type of office the requirements are mainly salaries, stationery and office equipment, printing. We require the salaries to be justified in terms of the positions then established with the approval of the Treasury Board, and the statutory increases that may normally be expected. The printing and stationery and office equipment items they know they will have to substantiate by telling us what their plans are, why they need that much, and why it is more or less than in the current year.

Q. Is it a secret as to who is on the Treasury Board?—A. No.

Q. Who is on the Treasury Board?

The board is composed of seven ministers of which the Minister of Finance is chairman. The board is set up by statute. I have forgotten the date of it but it goes back nearly to confederation, and by statute the Minister of Finance is chairman. The other ministers are nominated by the Governor in Council from time to time.

By Mr. Drew:

Q. And who are those ministers now?—A. I am not sure I can tell you by office just which they are. That is a matter I could easily supply to the chairman for the record if you would like to have it.

The CHAIRMAN: We will include it at this point in the record: Right Hon. J. G. Gardiner, Hon. D. C. Abbott, Hon. J. A. MacKinnon, Hon. A. Fournier, Hon. M. F. Gregg, Hon. J. J. McCann.

Alternates: Hon. W. E. Harris, Hon. Brooke Claxton, Hon. Lionel Chevrier, Hon. R. W. Mayhew, Hon. S. S. Garson.

Secretary—R. B. Bryce, Assistant Deputy Minister of Finance.

The WITNESS: There is a provision for alternatives to act in the event of any particular minister being unable to be there.

By the Chairman:

Q. The Treasury Board has a staff?—A. Yes, the Department of Finance and Treasury Board Act specifies that the Deputy Minister of Finance shall be secretary; in fact, one of his assistant deputy ministers (in this case, myself) acts for him in that capacity.

Mr. CROLL: I am sorry I asked that question now. Let us get back to where we were.

The WITNESS: Well, the minister, as I said, writes on behalf of the Board to each department normally in October, asking them to submit estimates and that is supplemented by a letter from the director of estimates regarding the manner in which they should be presented. Well, at that time the process of preparation in the departments in terms both of programs and actual figures will be accelerated. At this time there will be consultation between them and the staff of the Board in regard to how the program will be presented. The departments will then begin submitting the estimates to us in November,

continuing in December, and even into early January in a normal year. They reach us in quite considerable detail, in the case of large departments, detail running to some hundreds of pages. Not invariably, but usually I would say, the cabinet will discuss the general policy to be followed in regard to estimates before all the major programs are submitted to the Board so that the individual ministers will have in mind the policy of the government in making up the figures that they are submitting to the Treasury Board. The recommendations, of course, to the Treasury Board are made by the ministers of the departments after they have consulted with their various officers in regard to them. After the Board's office receives these proposals for the estimates they are then summarized in considerable detail on a uniform basis, for the consideration of the Board itself. The Board will then go over them at quite considerable length.

By the Chairman:

Q. May I ask a question here? Before it reaches this Board of ministers, have officials of the Treasury Board an opportunity to look into it or is it submitted directly to the Board of Ministers?—A. The officials of the Board will look at the estimates as well as prepare the summaries before the Board itself sees them. In looking into them naturally they will see many points on which they can be sure that the Board will wish to raise questions, and require to have more information, and they will secure that additional information or explanation from the departments before the figures are put before the Board itself.

Q. As Secretary of the Board do you have a large staff?—A. Well, I should point out in addition to the work on the estimates of course we have week to week operations,—there are many questions that have to come before the Treasury Board, and to cover both of these functions we have a substantial staff. The number changes somewhat from time to time but it is of the order of seventy to eighty in all, including the clerical staff.

Q. Looking into all these estimates that come from the different departments to the Board?—A. Yes, the staff actually engaged in the preparation of the material of the estimates has been increasing in recent years, I would say about ten or maybe a dozen, and myself.

The material and such explanations and supporting details that we have secured is put before the board of ministers who go over it with the minister for the department concerned, if there are any questions to be raised in regard to it, and with such officials as that minister cares to bring with him to support him in detailed explanations on the various votes. The details to be put in the estimates book will be discussed by the board. The ministers will then at such meetings come to the conclusion as to how much should be included for these various votes within the general policies that the government has decided to follow.

Q. May I ask a question at this point? Do you, as secretary, or do some of your officials attend at these discussions?—A. Yes, normally on the discussions on the estimates there will be two or three officers of the Department of Finance present, one in the role of recording secretary and one to present views on behalf of the Department of Finance, criticizing the material put before them.

Mr. BROWNE: Sort of a devil's advocate?

The WITNESS: Yes.

By Mr. Richard (Ottawa East):

Q. Does the Treasury Board pass on normal salary increases suggested by the department, or can they refuse normal increases?—A. Yes, that is part of our business. Throughout the year proposals for changes in salary rates come, in the majority of cases, from the Civil Service Commission, who are responsible

under the Civil Service Act for making such recommendations, and they are considered by the board on behalf of the Governor in Council.

Q. Does not the department suggest the increases?—A. It is the Civil Service Commission under the Civil Service Act which is required to make the recommendation to the government for changes in salary rates.

Q. Even for the normal yearly increases?—A. Not those increases which are called statutory increases, are made by the departments themselves.

By Mr. Johnston:

Q. Mr. Chairman, referring to the vote that has been chosen here, the patent and copyright office. In looking through that you will find first the administrative division and then as you go down you will find, if you refer to the details on pages 266 and 267, that quite a good deal of that is just administration. If you look at vote 422, on page 51, under the heading of general, you will find that, too, is administration. It seems to me that administration costs are somewhat scattered throughout that whole heading there and bearing in mind what Mr. Sellar told us the other day about changing the wording of a vote to make it more informative, what have you to suggest in regard to Mr. Sellar's suggestion as it applies to this particular item you have chosen?—A. Well, in that particular department it is true that most of the work is of an office nature and is administrative in a sense, but by administrative division here is essentially meant the reason for segregating departmental administration in 412 and 417. That is a sort of headquarters administration the cost of which cannot be readily and directly allocated to the companies branch, the bureau of translations or the patent record division or anything of that sort. The basic principle on which the estimates are laid out is a functional one, it is intended to reflect the cost of carrying out a certain type of operation and for that reason we set out the patent division, which looks after the granting of patents, the copyright and industrial designs division which looks after the granting of copyrights and the recording of them, whereas above that in the estimates you have the companies branch, the trademarks branch, and the bureau for translations, which carry out separate functions. Generally speaking, the purpose of the division of the votes here and elsewhere is first, to inform parliament and the public for what purpose the money is requested and secondly, to give parliament a measure of control over the purpose of the operations and expenditures. Now, Mr. Sellar's suggestions for lumping more of the votes together—

Mr. JOHNSTON: Maybe this is a poor item we have chosen.

The WITNESS: Maybe we had better revert to the agricultural item.

The CHAIRMAN: Since Mr. Bryce was answering a question by Mr. Croll, maybe he should finish answering that question. He was describing the path followed by an estimate from the moment it is born in the brain of some official in the department up to the moment it reaches us. So, if we would let Mr. Bryce finish that answer, then maybe we could go on to other matters.

Mr. JOHNSTON: I thought he had finished.

The CHAIRMAN: Were you finished, Mr. Bryce?

The WITNESS: Not quite, sir.

Mr. JOHNSTON: I am sorry, sir, I thought he had finished it.

The CHAIRMAN: That is because some other question was asked in the interval.

The WITNESS: I think I had carried it to the point where these estimates were discussed at the board with the minister responsible. It may be that the minister will wish to go back and think over in more detail the problems that arise in discussing the estimates, and there will be a second meeting or something of that sort, but the decisions will normally be taken, in the great majority of cases, at the meetings of the Treasury Board. At this point the material is in the

form of printer's proof, so that there will be the least possible delay in getting it to the House of Commons after the decision. These proofs will have to be taken to the cabinet, the Governor in Council, for final approval, for, of course, the cabinet as a whole accepts the responsibility for the sum total and division of the estimates. Then when that decision is taken the proofs are all ready, the print is already set up, and any changes which it is necessary to make at the last moment are incorporated in it and the book is printed and is ready for presentation within a few days to the House of Commons.

Mr. ROBINSON: How long has that general procedure you have just outlined been followed, Mr. Bryce?

The WITNESS: The general procedure has been followed ten years or more but just how far before the war I could not tell you, sir.

The CHAIRMAN: I thought that some members wanted to take up right away the question of agriculture estimates.

Mr. JOHNSON: I was not particularly concerned about that. I just picked that because the witness picked it out as an illustration.

The CHAIRMAN: But on the question of agriculture, seeing it was the subject of a lengthy memorandum I thought we should deal first with the broad question involved in that memorandum regarding the estimates, the memorandum that was submitted by Mr. Sellar, and then we would take the memorandum on agriculture estimates after, as a special unit, since we have already dealt in our committee with agriculture in a separate memorandum.

Mr. JOHNSON: That is all right with me.

The CHAIRMAN: It will be more orderly if we take that long memorandum and tear it apart, and get all the information you want, or opinions on it you wish. Are there any questions on Mr. Sellar's memorandum on estimates? Is that what you wanted Mr. Wright?

By Mr. Wright:

Q. We were discussing salaries and Mr. Bryce suggested the Civil Service Commission approves the salaries. Does the Civil Service Commission set the salary of temporary employees in various departments, or are they set by the departments themselves?—A. I would point out that under our law positions are classified and salaries are set by classes of positions, not by the individual. Responsibility for recommending the rates in the first instance falls on the Civil Service Commission and they are then sent to the government for approval, and the Treasury Board acts on behalf of the government in considering them in detail. Obviously, of course, there will be a measure of a consultation between the Civil Service Commission and the Minister of Finance or his officers in regard to this and if it is a class that affects primarily several departments there will be a consultation with those departments and the decisions will be worked out jointly before formal action is taken. I should perhaps point out there are a few classes of exempt employees, in the penitentiary service, for example, and things of that sort, where the salary rates are set directly by the Treasury Board although frequently after consultation with the Civil Service Commission to keep a measure of comparability. There are also, of course, quite a good many thousands of what we call prevailing rate employees whose wages are based on the rates prevailing in the locality for that kind of work.

By Mr. Richard (Ottawa East):

Q. Then there is consultation with the Department of Labour for prevailing wage employees?—A. Just to determine the prevailing rate; the Labour Department is asked to investigate that.

Mr. WRIGHT: That is the method you use when employing temporary employees in emergency situations under the P.F.A.A. and the P.F.R.A. in western Canada?

The WITNESS: Yes, most of those are positions exempt from the Civil Service Act, but we will on occasion make use of the Civil Service Commission in setting the proper rates.

By Mr. Johnston:

Q. How much of a cushion do you allow there?—A. I am not sure I understand what you mean by cushion.

Q. Mr. Wright referred to the P.F.A.A. and P.F.R.A. where cases of emergency exist, where the department may have to take on a number of temporary employees. Have you a cushion to take care of that?—A. In the field?

Q. Yes?—A. Yes, they will make provision for casual staff to take care of unforeseen summer operations.

Q. I do not think there is a provision for provisional staff which would act as a cushion.

Mr. CROLL: Do you remember that Mr. Sellar told us all deputy ministers give themselves a ten per cent cushion and what he objected to was a twenty per cent cushion.

By Mr. Wright:

Q. What I am interested in is, for instance, that under P.F.A.A. nobody knows until July as to whether they are going to need a great number of inspectors where there is a large drought. How do they provide for that?—A. That very service you mention is one of the most difficult to anticipate because, as you point out—

Q. It cannot be anticipated?—A. What we have here in the details on page 97, you will notice that there is provision for salaries of sixty-two temporary employees on the regular staff but there is a larger amount provided for what is called casuals and others. This would be a provision for seasonal staff. Whether in a particular year that will be more than enough or not enough is a question of judgment that has to be exercised as best we can.

Mr. STEWART: By whom are these passed upon; by the minister or by the officials of the department?

The WITNESS: I am afraid I am not expert enough on that matter to give you an answer.

Mr. WINKLER: Respecting the memorandum of Mr. Sellar in regard to his suggested method of regrouping, if that were adopted would it interfere drastically with the present method of arriving at the estimates?

The WITNESS: I do not think that regrouping of votes would alter in any measure the process for determining the estimates; it does have some effect on the content and the degree of parliamentary control.

Mr. CROLL: You say, "degree of parliamentary control". One of the observations made by Mr. Sellar was that we had too many votes; that is part of it, that we had too many votes; what do you say to that?

Mr. JOHNSTON: That is the question I asked him and I was told to wait until we got on to agriculture.

The CHAIRMAN: Yes.

Mr. CROLL: Why do you have so many votes in here? Can't the departments cut it down?

The WITNESSSS The general structure of our votes, on the estimates, was established, as I recall from memory, away back somewhere in 1938. There

was a major revision at that time and the purpose of that revision was to divide our total appropriations on what I have described as a functional basis in answer to an earlier question; the amount of money required to carry out a particular function; and a question of how many votes you want to have really boils down to how detailed an analysis of functions or organization you wish to present to parliament. Take Agriculture for instance. If you group the whole science service together—I believe Mr. Sellar recommended you have one vote for it—it is true that you don't have so much detail for the House to go through in committee, but on the other hand it does mean that you will leave with the government more of an opportunity to shift manpower and money from one purpose to another purpose; and, secondly, parliament is not itself taking into consideration, in the way of decisions, as to whether for example money will be devoted to forest entomology rather than to bacteriology and dairy research. Now, the question for parliament is as to the degree of control. I do not think a civil servant can properly say anything about the degree of control that parliament should exercise; but to me it seems a material point as to whether this money is being devoted to one general line of scientific work or to another.

By Mr. Drew:

Q. Let us just take one example. Perhaps that would serve without confining ourselves to agriculture. All the way through the votes we find allocations of money for advertising and related matters. Now, are you in a position from any records that you have to say accurately how much in 1949 was spent on advertising by the government?—A. Was spent, or was projected in the estimates?

Q. No no, I am talking about the actual public accounts, or for that matter the textbook on the estimates. Is there any way in which anyone can quickly determine from these estimates how much money is to be required for the coming year for advertising?—A. I could not tell you, sir, for advertising as such. I did make up recently some details for advertising and publications and radio and things of that sort.

Q. I will explain what I have in mind before asking my question. The point you are making unquestionably is of very real importance in determining whether the members of parliament think that too much is being spent by a particular department for a particular purpose; and as I understand the answer you gave earlier your thought was that if you merged these payments too much in a particular field of government activity then members of parliament could not determine whether in their opinion there is too much allocated for a particular department because it would be a merged amount. Accepting that as having very real importance, then coming into the wider field, how can the members of parliament determine from either the public accounts which deal with money that has been spent or in the estimates which deal with requirements for the future how much in the one case has been spent or how much in the other case is going to be required for advertising alone in the various government activities?—A. That is what you might call objectives of expenditure as distinct from functional?

Q. Yes.—A. It would be necessary to make a cross-classification of all the details. One could pick out, perhaps, not alone from the details that are in the estimates book how much is provided in the estimates throughout for advertising. Now, it may be difficult to tell in advance whether one primary will be used very largely for advertising or to some degree for issuing booklets and that sort of thing. Take the Travel Bureau, they may reach the judgment during the year that it would be more effective to devote some of their funds to increasing the distribution of booklets rather than to advertising. That is a matter that is at the present time within the discretion of the administration. It is all subject to changes of that sort. One could ascertain what is set out in

the vote and by adding the totals—and, of course, the public accounts ultimately do show—if one analyses them you get the amount expended.

Q. We are dealing in the one case with money that has already been voted and has become a fixed amount. We are dealing in the other case with estimated amounts, and in the case of estimated amounts we are still in the position that some allocations under the estimates of public funds may conceivably be spent for a different purpose entirely within the statutory authority of the department handling that money.

The CHAIRMAN: There is a point there: Could the department take the money from one vote and put it into another?

By Mr. Drew:

Q. I do not mean a transfer from one vote to the other, and I pointed out to Mr. Bryce as a convenient example the case of the transfer in connection with publicity of the allocation of funds from, shall we say, one branch of publicity to another within the department in the course of the year as in the judgment of the department they may feel will get the best results. For example, instead of using the money all for advertising they may find that through the use of booklets which are provided within a single vote that the advertising they would get would show better results, and as I understand it they have the discretionary authority to do that. That is what I understood you to say.—A. Yes sir, it requires a transfer, however, between two of the categories in the details of the estimates. They would have to go to the Treasury Board and get authority to transfer between these, what we call primary allotments.

Q. Yes.—A. But subject to that there is an element of discretion there as to how you may use the funds in achieving the purpose for which the vote is granted.

Q. Yes. Now, so that I may ask my question based upon the thought that I had in mind, let me explain exactly to what I am directing the question. There was, for instance, a question asked in the House in regard to the number of men engaged in publicity and information services. An answer was given to that question and an answer was also given which showed the amount of salaries that were received by the 340 odd persons engaged in these services. Now, to carry that a stage further. If the members of parliament want to know what the total cost of the operation is which comes under the supervision of these men how can they ascertain from the estimates exactly what it is going to cost for these men to carry on their work in the form of advertising, in the form of paper for circulation, in the form of booklets and things of that kind?

—A. In those departments and operations where there is a large operation you can get some idea from our details supporting these votes; details, for instance, in the Travel Bureau. Now, you will see those details on page 259. You will see listed there also the amount for advertising and the amount for publication, which would give you in most instances a guide to the amount going for that particular purpose. However, there will also be in the details the salaries of persons who place that advertising, the salaries of persons who would write the material having to do with the publications and the advertising; so that you could not take out from the votes, from the details that are supplied here, exactly all the effort that is directed to promoting the Travel Bureau's activities. There are all sorts of complications there, sir, and it becomes ultimately a question of judgment as to what individuals are following the type of activity about which you speak.

Q. Let me put it this way. It is noticeable in this statement and in the statement that he made, that Mr. Watson Sellar was suggesting that in all these departments which could be brought under a similar procedure, the method that would apply to ordinary business should apply to the government operation as well. If I were responsible for the operation of an industrial undertaking I would

expect to be able to know how much I was paying for power, how much I was paying for raw material, how much I was paying for capital charges, how much I was paying for rentals, how much I was paying for labour, how much I was paying for salaries; and I would expect to be able to see and to know at any time my business position and exactly how much I paid for advertising and publicity in connection with that business. Now, it seems to me that in some way it should be possible for us to determine exactly what the total over-all cost of advertising and publicity by circulars and publicity by pamphlets and publicity of any kind is actually costing the general business of government. Is there any practical reason why that information cannot be supplied?

Mr. LANGLOIS: Before the witness answers that question I would like to ask Mr. Drew this question; would your company have as large a range of activities as the government does?

Mr. DREW: Would it what?

Mr. LANGLOIS: Would it have as wide a range of activities as is the case with the government?

Mr. DREW: I grant you that, but I think the larger the business the more simplified the method of supervision of accounts should be. I do not think the scale of the business should change the principle in any way, I mean the range of activities.

Mr. LANGLOIS: I meant the range of activities.

Mr. DREW: The range of activities I think covers a wider field, but I should think it would be a comparatively simple thing to take out the figures the same way as you would in business. Would it not be possible, Mr. Bryce, to have such a thing as publicity and advertising shown in that way?

Mr. WARREN: I know what Mr. Drew is getting at.

The CHAIRMAN: Is it a point of order you are raising, Mr. Warren?

Mr. DREW: I am quite willing to let the gentleman proceed.

Mr. WARREN: Well, Mr. Chairman, I am a member of this committee.

The CHAIRMAN: If you have any questions to ask I think you should defer them and let Mr. Drew proceed.

Mr. DREW: I am very happy, Mr. Chairman, to discontinue my questioning upon that point if there is some other question the committee wants to take up at the moment; if not, I would like to follow this through.

The CHAIRMAN: Go ahead.

By Mr. Drew:

Q. Is there any practical reason why it would not be possible to show the details in the department and at the same time in such a thing as that to have a consolidation of those figures into a simple statement which would show the advertising, publicity and other costs, so that members of parliament would know exactly what the total figure is that would be allotted for instance to work of this kind, how much is being spent on publicity and public relations and activities of that sort.—A. I think, sir, it would be possible; but one must realize the difficulties that arise in carrying it out. It has to be borne in mind that there are a great many classifications that apply in the various phases of the public accounts and the activities of departments; I know we have tried to prepare such figures in the past and we got into all sorts of arguments as to which category you would place a particular item in. In this particular case of advertising and publicity, that is one thing the Department of Finance normally notes in looking at the estimates, but we have had difficulty in determining just what the boundary line is. It is exceedingly difficult to know where those boundary lines come. For instance, there is the *Canada Year Book*; is that pub-

licity or advertising? It is a working tool to a great many people, and it is open to argument as to how you would classify that; and it gets more difficult when you start to determine what people you will class as doing that sort of work. There are scientists, let us say, in the Department of Agriculture who write about their work in a form to be used through the Agricultural Extension Service as a bulletin for farmers. Are they engaged in the sort of work you describe? That is the type of very difficult practical problem which comes up when you try to make such a classification, and I would say it would take a little while to work out a general scheme as to what the most useful classification might be and as to how it should be applied.

Q. But my question is, could it be done?—A. It can be done and it can be put in if parliament wants it.

Mr. CROLL: Would you let me follow that up? Just the other night Mr. Pearson gave us an example when he was discussing this problem of public relations, publicity and so on, as it affected his department. He gave us an example of a man stationed in London who is classified under the heading of a publicity man, or in the information department, and he derates 10 per cent of his time to routine publicity work in the district and the balance of his time to answering questions from all over England about such things as the population of British Columbia, or in getting a set of public school books for somebody in Alberta. How do you divide his time? Perhaps that would assist you in answering Mr. Drew's question.

The WITNESS: I have got to know more precisely what one wants in the question. What do you regard as publicity work? Is answering inquiries about population, getting books and that sort of thing, is that publicity work, or is that a question of routine service?

Mr. DREW: That to my mind is a very important point. As I interpret Mr. Watson Sellar's recommendations there he directed our attention to one thing, and that is to the simplification or redrafting of accounts in estimates in a way that will make it possible for members of parliament and the general public to understand a little more clearly exactly what it is that the money is being expended for. Let me give you an illustration, which will be well known to Mr. Croll, of the way in which allocations of cost in this way can be made. Take a company like Ford of Canada with their very large operation.

They have men and women who devote a part of their time to taking people around and showing them through the plant, but a large part of their time will be taken up in doing other things; but the Ford company allocate the cost of services of that kind under their cost accounting method. Can you see any reason at all why the same type of cost accounting allocation of costs that would be applied by a company like Ford could not be applied to a government operation?—A. I think, sir, we could apply it at some cost. You cannot undertake a detailed cost accounting and allocation of overhead without having accountants doing that.

Q. All human activities cost money, but what has been found in the case of business is that it usually saves money, because you know how your money is being spent.—A. If you are engaged in an operation where you have to assess your prices in terms of cost it is obvious that savings will result and will be worthwhile carrying out. However, in case where that is irrelevant, how far should it be carried?

The CHAIRMAN: In order to keep the record clear may I ask Mr. Drew one question?

Mr. DREW: Yes.

The CHAIRMAN: When you group all these publicity and advertising activities of all the departments and bring them all under one vote in the House how are members going to have an opportunity of discussing those appropriations department by department? Is that what you had in mind, or did you understand that Mr. Sellar's suggestion was that that would be submitted in accordance with established company practice? Would you take it as a single vote or would you deal with it department by department? If you pool all expenditures of the same nature, how are members going to have an opportunity of discussing in the House each individual item as it relates to a particular department?

Mr. DREW: I was really going to ask a question but I will answer that.

The CHAIRMAN: If you would.

Mr. DREW: I will give you a very clear answer. What I would put forward as a suggestion, and what I base my question on, is this, whether it would be practical or not. As it is now the estimates are preceded by a summary and that summary is not in itself something that the House votes on; it is merely for information. You will see it there on pages 2 and 3—and it sets out the amounts to be voted for each department and gives a comparison with the amount spent for the same purposes in the preceding year. It seems to me that following the suggestions made by Mr. Watson Sellar it is desirable that there be, shall I say, a similar consolidated statement that will give us a lot of useful information; that, first of all, having defined the type of services more clearly than they—now have them somewhat better defined than is the case at present—it would be possible to have a still longer summary which in addition to giving the detail of all the departments would also give us an indication of the total amount that is to be voted for a particular purpose for the whole of the public service. There might also be summaries under different headings showing the costs of certain public services that obviously fall within a similar category. Now that involves, first of all, a definition; we would have to adopt a uniform definition that everybody can understand, and then have an allocation of that amount in each department. In that way we would be able to know how many millions of dollars were being spent on advertising, how many millions of dollars were being spent on pamphlet publication and things of that kind, how many millions of dollars were being spent on press releases, on mimeograph releases of a similar nature; we would also know how much money would be spent for paper—I imagine that would be very substantial.

The CHAIRMAN: Do the large companies do that in their reports?

Mr. DREW: They would certainly have that information at directors meetings, and I would not think that I was doing my job as a director if I did not know how much money was being spent for paper in the organization, particularly having in mind the present price of paper. And it seems to me that those are the things that are essential as a matter of information to form any opinion as to whether the methods being used are methods that are performing the public service at any rate in the most economical way.

The CHAIRMAN: That information would come in the same form as the present summary of the detailed estimates; it would not change the form of the estimates.

Mr. DREW: I am not suggesting for a moment that you could deal with estimates in any other way than by departments. I do not want that statement to leave the impression that I am suggesting that the present form of estimates for departments is unsatisfactory, but I do agree that both from the statutory point of view and from the practical point of view you must have votes in respect to departments as they now are, but I would hope in a more simplified and more interesting form.

Mr. STEWART: So that I may be clear in my mind as to the suggestion advanced by Mr. Drew, do I understand you to mean that the estimates would be much the same as we now have them but that at the end of each department there would be an indication of the expenditures in that department with respect to publicity, what amount is spent on advertising, what amount is spent on publications, what amount is spent on paper and that sort of thing; that you would have that information in there along with the appropriation, or the amount to be voted? Is that what you have in mind?

Mr. DREW: Yes, and then a consolidation of those items for each department in the form of a statement similar to that which now appears in the first part of this book on estimates; a statement which would cover every department and show us at a glance the amount of money involved under each main classification.

Mr. STEWART: I do not think that the cost accounting relative to that would be exceptionally heavy.

Mr. LANGLOIS: But Mr. Drew referred to the operations of a company, and I was asking him if it would have the same range of activities; would it be anything comparable in size to the business carried on by all the departments of government?

Mr. DREW: I was merely using that as an illustration.

Mr. DIEFENBAKER: As a matter of fact, Mr. Bryce, isn't that what was suggested in the United States by the Hoover Commission? That in order to place properly the efficiency of administrative machinery and so that the functions of government could be fully understood it was necessary to visualize that in such a way that it would be apparent to anyone reading the records what the expenditures were. Now, I can give you an example in this country. A few weeks ago I asked a question as to what certain travelling expenses were and that was passed as an order for a return. I do not know when I will get it, but whenever I get in touch with anyone in the department and ask how it is coming along the usual answer I get is that it is very difficult to get out a statement on travelling expenses. Now, surely, that is one case where there would be no question as to what travelling expense was. There should be no trouble in getting out an answer to that question.

The WITNESS: By that do you mean that you would include travelling expenses, or the actual amount that is expended on the business of government in respect to travel. Would you include removal expenses?

Mr. DREW: What do you mean by removal expenses?

The WITNESS: Where an officer or an employee is moved let us say from Regina to Vancouver.

Mr. DREW: That obviously would be personal travelling expense.

The WITNESS: That is right.

Mr. DREW: But those will be in separate categories now?

The WITNESS: Well, it is often difficult to lay down exactly what they are. We are never quite sure for example when Mr. Diefenbaker asks for that information, if he wants to get removal as well as travelling expenses or not.

By Mr. Diefenbaker:

Q. That is very helpful, but right here I would like to ask a question: how would I ask that question, not only to cover travelling expenses, but also removal expenses? Are there any other categories that?—A. Those would be the main ones.

Q. So if I want to get the answer for travelling and removal expenses they should be readily available in the matter of a few days.

Mr. LANGLOIS: How many employees would that cover?

The WITNESS: It might involve quite a problem. In External Affairs, for example, we would have the problem: do you assemble the accounts from overseas or in other cases from the thousands of local offices throughout Canada?

Mr. CROLL: Why do you not ask easy questions, Mr. Diefenbaker?

By Mr. Diefenbaker:

Q. That indicates one thing to me, Mr. Bryce. Am I right in this, that you really have no records available here of those expenditures? There is no record from month to month similar to that in any business concern that will allow the information to be readily furnished without sending telegrams and cables back and forth to all parts of the world.—A. The more we have that information centralized the more expensive our accounting is. We have to look at the thing in terms of what is worthwhile.

By Mr. Drew:

Q. Mr. Bryce, on that point, has not this been the experience in business accounting, that once you establish a clear practice of delivering information at regular periods to a central office that you greatly reduce the expense below what you have under another system where you are constantly called on to write this person and to that person to get information at different times and then have to bring it together for some particular purpose, is that not so?—A. Well, my business experience is not extensive enough, that I would want to generalize—but I believe there is a limit on the degree to which it pays to centralize, and the problem here—take the Department of Transport as an example—do we want to centralize the control of travel expenses all in Ottawa, or spread it out in local offices? The same applies to the Unemployment Insurance Commission. At what level and in what area do you want your managerial control?

Q. There is a distinction between managerial control and records. Under managerial control some one in Paris or Melbourne or in Victoria or in Halifax does something which involves public expenditure. Then there is a record made and that is approved under an established system of managerial control. If you have a system under which at the end of each month the record of expenditures in certain categories must be forwarded to Ottawa, then while it may be true you cannot give an up-to-the-minute record, as there may be a time lag of weeks to get this information to Ottawa, it seems any given time up to say a date six weeks before would automatically have brought forward the total of these items in the whole system. Would not that be simple?—A. I think it is true that you could. When you get into this detail it is the Comptroller of the Treasury, Mr. McIntyre, who can tell you what the time lag is in assembling the information.

By Mr. Croll:

Q. I want to ask two questions arising out of what Mr. Drew says. We were talking about the general form of the estimates. These two questions appear to suggest themselves to me. I do not know how long you have been there, Mr. Bryce, so perhaps you do not know the answers. Did we always, to your knowledge, present estimates in this fashion, as we have them now? I think Mr. Sellar said it was since 1935 or 1936. But did we always present them in this fashion?—A. No, there was a major revision made in 1938. It was announced in the House. I thought it might be useful to the committee if I brought along a copy of the statement made at that time. It gives a brief explanation of the general basis.

EXCERPT FROM THE DEBATES OF THE HOUSE OF COMMONS,
FEBRUARY 3, 1938, CONTAINING A STATEMENT BY THE
MINISTER OF FINANCE ON THE REVISION IN THE
FORM OF THE ESTIMATES

"In the budget speech of last year I made an attempt to show the percentage distribution of our revenues and expenditures, but found it necessary to point out that the form of our estimates and appropriations made it impossible to achieve accuracy in such calculations. I then stated that before another year had passed I hoped to be able to introduce such changes in our procedure regarding estimates and accounts as would make it possible to determine more accurately the real costs of the various services of government.

I am glad to be able to announce to the house that the main estimates for 1938-39, which are now being tabled, are being presented in a new form, with what I believe is a greatly improved classification and with much greater detail. The purpose of the revision is to facilitate a greater control over expenditures and to present a clearer and truer picture of the operations of government.

The need for revision has been recognized for years, in that items in the estimates did not reflect the cost of services. In this respect they were actually misleading, because, with few exceptions, they were supplemented from civil government or other appropriation of a general character. Other defects included provision for numbers of distinct activities under one general item, and assembly of items under obsolete captions without relationship to existing departmental responsibility. The principal object of the revision is to give to parliament, by removal of these defects, a reasonably accurate estimate of the costs of functions, assembled under the departments responsible for administration.

Application of this principle involved rearrangement of vote and disappearance of the civil government and miscellaneous sections. It also involved selection of the distinct services or projects on which the taxpayer's money is spent and insertion of an item for each. As all expenses cannot be allocated on this basis, the remainder for the department or branch has been included under an item for administration of the department. As comparison with estimates of the previous year are always of first rate importance to parliament, these have been shown in each instance. The amount entered for 1937-38 is the sum voted for that particular function, although it may have been authorized under several general or specific votes for that year. Any member interested may obtain details of these allocations of former votes in committee of supply.

The new form is composed of two main sections. The first, to page 53, is made up of items to be included in the supply bill, together with statutory appropriations, each of which is marked with the letter S. The second section, from page 54 to the end, is for the information of parliament and will not be in the supply bill. In the first section, division by items has been with the object of showing clearly the cost of the various services carried on by the government. The second section, which is entirely new, is designed to furnish parliament with detailed information as to how the various proposed votes are to be spent. For convenience the page number of the details is printed opposite each item.

In effect, items in the first section will become votes which must be administered strictly in accordance with their terms and amounts. On the other hand, the details by objects of expenditure contained in the second section may be varied to meet administrative requirements. In general, they will be the basis of classifications compiled by each department at the beginning of the fiscal year under the terms of section 26 of The Consolidated Revenue and Audit Act. These classifications are submitted to the Department of Finance at the beginning of the fiscal year, and may not be amended except with approval of the Treasury Board.

The ruling principle of this revision has been the endeavour to furnish the cost of functions. At the same time, it has been necessary to give due consideration to the requirements of administration, accounting and audit, since all are necessary to a full measure of parliamentary control. While the new form is an attempt to meet all essentials, it is not regarded as final. Rather, it is believed that experience in operation and consideration here will suggest further improvements for future years.

I need not say that the changes which have been made have resulted in a great deal of work during the past year for all the departments and for the Treasury Board. It will be clear, also, that the larger number of votes will probably increase the work of my colleagues and their departmental officials in getting their estimates through the house. We have, however, received the co-operation of all departments in making the revision possible, and I trust that the changes which have been introduced will, after study, commend themselves to the house."

Q. In the light of your present experience, Mr. Bryce, with estimates, have you continued to improve this system and in what fashion? These are two things I wonder if you could answer?—A. I would say there has been a gradual improvement, but a period of war and all the immediate changes following upon war is not a period where you can hope to settle down into the best peacetime methods.

Q. In what respect have you improved? Can you point to anything?
—A. For instance, I would say, we have, to a larger extent than formerly, segregated votes for operating from votes for capital that is, for construction and improvements. I feel that is an important distinction which is worth making. For example, where in meteorological work we provide for construction of new stations and additions and betterments to equipment or where we are providing the actual operating cost, I would feel that segregating these costs gives a better idea of what is happening by comparison with previous years and different scales of operation, and gives a better measure of control. I would say offhand that is one of the main features of development that has taken place.

By Mr. Browne:

Q. Could you give us an illustration of that in the agriculture estimates?
—A. I am sorry, sir, I would have to trace it through a number of years to show that but I may be able to get an analysis made of that sort of point and supply it to the chairman for the record.

Q. I was under the impression from the remarks of the auditor general that there is no distinction or very little distinction between capital and ordinary expenditure.—A. It is not general yet, but it is widening out. I think you will find it quite frequently in the Department of Transport votes now. My recollection is that in the Atomic Energy Control Board votes there is a distinction between capital and operating expenses that was not in them previously. Frankly, we have only a very limited number who can work on this and our interest has been primarily devoted to the figures following the vote rather than the form of the vote. That is one of the main trends. We have also been trying to get to a uniform system of analyzing, and breaking down the votes into primaries.

By Mr. Croll:

Q. Can you point at any of these votes and show what you call uniformity?
—A. We are now showing under most votes, not only salaries, but salaries broken down into permanents, temporary assistance, casuals and others. We usually under most votes divide office materials into printing stationery and office equipment. Travelling expenses are a separate requirement and it would include removal expenses.

By Mr. Stewart:

Q. This question of advertising rather intrigues me. At the moment, I do not see any difficulty in providing the information as has been suggested but in the Department of Finance. For instance Department of Finance, looking very casually at only one amount for public information program, \$30,000. I am looking at page 122 of the estimates, 1950-51. Do I understand from that, assuming the money is spent that that is all that will be spent by the Department of Finance on publicity?—A. You will notice that is under the Foreign Exchange Control Board and those are the expenditures directed to the particular purposes of that Act and of course that is the reason that we try to segregate that into a different vote.

Q. Is that point the only place where money is spent on public information program such as is mentioned there? Is there money being spent in other departments of finance for public information?—A. Just look at the item immediately above, under Farm Improvement Loans Act. They get out an annual report, various press releases, announcements and things like that, which is done by their regular staff. There may be one girl on the staff of a dozen, say, who specializes more or less in that sort of work. I am not quite sure whether Mr. Drew would think we should classify that as public relations work. That is the problem we are up against when we try to segregate a particular type of expense in this way. The Department of Finance does not have an information division. You will find, however, under the votes in the Department of Finance a vote for the cost of issuing new loans. That is not technically a vote, it is a forecast of the expenditures that may be made under the continuing authority in the Consolidated Revenue and Audit Act. Some of that would be for the advertising necessary in issuing a loan. If we were going to make up the sort of analysis Mr. Drew has suggested we would have to try to make some rough guess as to what the advertising for the issuing of the loans might cost.

Mr. DREW: Well, I would find it difficult in the exchange of question and answer in this way to suggest the exact form that any one of them would take but there must be some form under some practical definition that can be adopted? Let us take an example, the Department of Transport, page 52, of the estimates. There is an item there, note No. 426, publicity and advertising in Canada and abroad, and the estimate for the coming year is \$201,000 as compared with \$267,000 last year. Items of this kind appear all the way through the accounts.

Mr. JOHNSTON: Would that be a true statement according to Mr. Bryce's definition? How would you allocate it exactly?

Mr. DREW: That is what I do not know. I find that different terms are used in different departments. In one case it may be described as public relations and in another, as we have just read, publicity and advertising in Canada and abroad. I notice, for instance, in the public accounts of 1949, that there is a much larger expenditure under the title of advertising by the Department of Trade and Commerce. What I am pointing out is this: if we are to approach this as we would approach the problem in business, I think we would be able to say how much is spent in advertising and how it is divided as between the printing, radio, films and for paper bought by the government. I think the way we have it we have no way of expressing an opinion as to whether the thing is being done economically or not.

Mr. CROLL: Mr. Drew, would you refer to page 270?

The CHAIRMAN: Where would you put these suggestions in the estimates?

Mr. CROLL: Mr. Chairman, if you look at page 270, you have the answer to Mr. Drew's question. That same vote is carried into page 270. Look at it. You have booklets, films, clipping service and subscriptions, printing "Foreign Trade" and "Commerce Exterieur".

Mr. DREW: In this particular department the information is given in substantial detail but you will find in other cases it is not.

Mr. CROLL: I just happened to glance at this.

Mr. DREW: Oh yes, that is carried out in substantial detail.

By Mr. Croll:

Q. Can you then say, Mr. Bryce, whether it is practical under all circumstances to provide this sort of detail?—A. Well, it is difficult but if you wanted to have issued an appendix to the estimates giving this sort of cross-classification I say it could be done. There would be arguments as to whether items should be included here or there.

Mr. RICHARD (*Ottawa East*): You would need a definition of the title?

The WITNESS: Yes.

Mr. BALCER: If it is possible for the Department of Trade and Commerce why should it not be possible for other departments to give this detail?

The WITNESS: I think it is possible but the classification given here in the Department of Trade and Commerce differs somewhat from the travel bureau. Their problems are a little different. We have tried here to pick out and set out these things which are of interest and importance in respect to each individual vote. If we are going to get completely uniform cross-classification, it may mean that things which are important in one vote may not show up in another because you lose them in the larger grouping.

Mr. DIEFENBAKER: Mr. Bryce, in the question I asked you in regard to travelling expenses, you said that you did not know what came under that category. Well, there must be some definition of travelling expenses for referring to the Department of Trade and Commerce, we see an item for travelling expenses, \$11,900? Then under the Department of Transport at page 286, travelling expenses, \$40,000; then again at page 290, Department of Transport, travelling expenses, nautical service, \$5,000. Apparently, you must have some definition?

The CHAIRMAN: May I interrupt, Mr. Diefenbaker? These are the estimates. Your question deals with the public accounts, moneys already spent.

By Mr. Diefenbaker:

Q. All right. Then if it be an estimate of travelling expenses, it is supposed to be spent for travelling expense. You cannot spend it for something else. That item as expended next year must certainly be shown as an expenditure on travelling expenses.—A. Yes. As I understand it, you mean there is a conventional meaning. I think that is right.

Q. The reason I mention it is this: when a person asks these questions in the House and they are passed as orders for return, they have a habit of showing a time lag in the returns, that is, well, I do not want to use the word suspicious, but at least worthy of attention, and I simply ask why it is that having categorized certain things as travelling expenses in the estimates you have a different category of so-called travelling expenses when they find their way into public accounts?

Mr. CROLL: Would that be a proper statement?

The WITNESS: I am not sure they would be a different category in the public accounts but when we are answering parliamentary questions we usually have to be very careful that we have got the meaning clear and we do not answer something other than what was intended to be answered by the question.

Mr. DREW: But just to follow that up to show you the difference between the different departments—Mr. Croll gave the Department of Trade and Commerce—if you will look at page 171, under the Department of National

Defence, instead of a separate allocation there—this is in the part that is supposed to show the detail—under general sundries is shown printing and stationery, communication services, special training equipment and films, fees for special courses, education of dependent children, maintenance grants, recruiting expenses, miscellaneous service and other items not included in the above \$3,567,526.

That, of course, is only for the air service. There are similarly like items in regard to the army and navy. Now, if it is possible to separate these things like films and publicity and so on, is there any reason why it should not be done that way in the case of National Defence?

Mr. LANGLOIS: Suppose we ask a similar question to Mr. Diefenbaker's on this item. Would you like to have the total comprising the travelling expenses of men travelling on duty and men travelling on leave? Would you be satisfied with a lump sum comprising the two categories or would you have to have it segregated?

Mr. DREW: Under the policy directed by government it should be the duty of the accounting services of government to provide a method whereby the different travelling expenses allocated to holidays, and separated from the service, could be very simply put under different items, and printed under one collective total.

The CHAIRMAN: We have here one of those long items which Mr. Drew called our attention to: sundries and so on, \$3½ million. That is quite a tall order for sundries, I will admit that.

When we come to the idea of groupings, will we not have bigger totals under the same headings of sundries and details and get less information than we are getting now?

Mr. DREW: What I understand Mr. Watson Sellar wants to do is to simplify the groupings, reduce the number of different groupings, but not to reduce the details. As I understand it, it was a simplification of groupings, an extension of details. We have been talking of similarities. Let me illustrate to you a dissimilarity. Take, for instance, in the case of the Department of Public Works there is an item there for every building to be constructed and a figure provided for them. In the case of the Department of National Defence you have no separate figures. Under the navy, you have: acquisition, construction, purchase and maintenance, repairs, rentals and operating expenses of properties \$9,920,000. For the army you have: acquisition, construction, purchase, maintenance, repairs, rentals and operating expenses of properties \$22,492,-208. And under air services you have: acquisition, construction, purchase, maintenance, repairs, rentals and operating expenses of properties \$23,508.516 or a total of more than \$54 million for which we have not the detail of a single building.

Do you know of any reason why the Department of Public Works is able to set out the different buildings with the amount given under the item, and, on the other hand, the Department of National Defence does it in a different way?

The WITNESS: Those are the two extremes and we have variations between them. Take the construction program of the Department of Transport. You have that allocated by the various services within that department. But the details given here for the Department of National Defence, as I recall, are on the general plan that was adopted shortly after the end of the war, and there were security considerations involved. How far that dictated this division is a matter it would be necessary to find out from Defence, I should think. So that there are in the case of the Department of National Defence considerations of that nature which are not present in most of the other cases.

By Mr. Croll:

Q. While you are dealing with that, Mr. Bryce, if you do not mind, can you turn to a similar item in the American estimates, if you have them here, or if you can get them, and tell us what information they give? Is it possible? Do you know anything of the American form of estimates?—A. The American budget is a huge document. I suppose, for individual votes, they would give more cross-classifications than we do and they give in their budget more textual explanations than we do.

Q. You mean in actually following an item they will explain that item?—A. There will be a rather formal description of the purposes. Of course, that, I think, reflects to some degree the difference in their form of government. They have one man essentially responsible for presenting the whole budget to the congress. In our parliamentary system each minister is responsible for the estimates under his department, and, our understanding has been that the minister furnishes the House with whatever explanation and detail other than the form of the detail provided here, the House requires, whether it is in writing or whether it is orally. Mr. Sellar has suggested, I notice, in his memorandum, the furnishing of written detail in the estimates. He took the audit office as an example but in a great many of the services, however, it is exceedingly difficult to divorce explanation from justification or policy and I would think for that reason the government has been following the broad policy that the minister responsible, or his parliamentary assistant, makes such explanations and furnishes such detail in regard to the estimates as is required.

By Mr. Browne:

Q. On page 8 of Mr. Sellar's brief he sets out his own department and deals with salaries, travelling expenses, stationery and things of that kind as an example of what should be followed in regard to all the other departments.

Now, as regards the statement made by the witness that the minister takes responsibility for his estimates and give explanations, I know of no instance in the last session where one vote was changed in the discussion in the House, not one that I could hear. So that the explanation given in the text in this fashion would do just the same would it not?—A. Yes, or it could be given in a separate written form by the minister at such time as would be appropriate.

Q. If it was put in one volume that volume would not be any more voluminous than the public accounts?—A. Well, I must say the public accounts to most people appears to be a very formidable volume.

Mr. CROLL: In answer to Mr. Drew's question you suggested that there may have been some reason of security for giving no more information than is given in the estimates of the Department of National Defence. Referring to the American national defence estimates, what sort of information, if you know, do they give with respect to that subject?

The WITNESS: I could not tell you.

By Mr. Diefenbaker:

Q. In the preparation of your estimates so far as defence items are concerned are you directed to withhold certain information or particulars? Were you directed by the minister in connection with defence estimates as regards the failure to give greater detail?—A. In the volume of estimates?

Q. Yes.—A. Well, the form in which the detail would be provided in the case of defence was settled by the government some years ago. I could not say offhand whether there have been any minor changes.

Q. Was that during the war?—A. No, I think it was immediately subsequent, shortly after the war.

Mr. WRIGHT: Mr. Chairman, my question was along similar lines to the last one. Who determines the detail to be given by each department—the minister himself? It seems to me there is a variation in the detail between different departments. Does the government as a whole, or does the Treasury Board state to each department: now you shall give certain details in your estimates; or does each minister settle that question himself?

The WITNESS: Well, the detail that goes in the book is approved by the Treasury Board. Now, I think it would be unrealistic for the ministers to devote a good deal of time to deciding minor divisions in the votes. In the major divisions where it is important to decide whether the description or expenditures will be in one form or another, the board will consider that at some length.

Mr. LANGLOIS: When you gave your review of the procedure followed in the preparation and wording of the estimates, if I understood you correctly, you said that each of the departments made its own suggestion to the Treasury Board and the Treasury Board actually decided the various categories of expenses and estimates. The Treasury Board has, I will not say the final word, but has quite a decision to make about the actual wording of the estimates and it is to be approved by the entire cabinet after. But I do not think it is right to say that the Treasury Board is actually responsible for the wording of the estimates.

Mr. BROWNE: Mr. Chairman, there is very little change from one year to the other. You have it all in here and you can go through the estimates and get the information.

The CHAIRMAN: Yes, the detail in there is very clear.

Mr. BROWNE: And there is very little change from year to year, if there are any changes they are not very great.

Mr. LANGLOIS: I think it is a good thing there are not very many changes, otherwise it would be more difficult.

Mr. STEWART: I think it would be better if there were more changes.

Mr. LANGLOIS: Might I ask a question? Is it in order, Mr. Chairman, to refer to this statement which has been furnished by Mr. Bryce, the statement that was made in the House? Could he tell us what that statement is?

The WITNESS: That is an explanation as to why the changes were made in 1938.

Mr. LANGLOIS: But it refers to the considerations on which the change was made?

The CHAIRMAN: That is right.

By Mr. Johnston:

Q. This is the statement which was made in the House by the Minister of Finance in 1938 in which he stated that they had received the co-operation of all the various officials. I would like to know if all the departments were asked for suggestions and if this statement represents the views of all departments concerned. Was the Auditor General, for instance, consulted?—A. You mean, at that time?

Q. Yes.—A. Oh yes, I know that the Auditor General at that time saw it. I looked over the file last night and I know that he did go over it in quite some detail and made notes on it before it was done. Similarly the Comptroller of the Treasury of the time and the departments all went over it. I will not say there was complete unanimity of view; there rarely is about a matter of this kind, but at least there was a reconciliation of views and a decision was made.

Q. The second question I wanted to ask is this, was this revision considered, generally speaking, by all the departments concerned as an improvement over what was done before?—A. I would be unable to speak from direct knowledge on that.

Mr. STEWART: Mr. Chairman, I wonder if we could take a little time to examine this statement which was made in 1938. I haven't had an opportunity of reading it, but apparently it was something which had to do with a change in the estimates, and the form in which the estimates now appear before us was the result of the action taken at that time, and as a result of the ideas discussed at that time the estimates took the form in which we now have them. It represents the considered opinion of the principal officials of departments concerned, and apparently it has not been improved upon since.

Mr. DREW: I think the point Mr. Stewart has just made is very apt, because, actually, this was limited to the government—the allocation of all the cost; and it was not so much a revision of the general method of the presentation of the estimates as a re-allocation of costs to the services performed.

The WITNESS: Yes, but it represented a major regrouping of expenditures in the votes.

Mr. DREW: That is true, but I see here:

The need for revision has been recognized for years, in that items in the estimates did not reflect the cost of services; and then it goes on to say:

Other defects included provision for numbers of distinct activities under one general item and assembly of items under one general item, and assembly of items under obsolete captions without relationship to existing departmental responsibility;

and it continues,

The principal object of the revision is to give to parliament, by removal of these defects, a reasonably accurate estimate of the costs of functions, assembled under the departments responsible for administration.

And, reading on down there, I find it is mainly a question of re-allocation of costs rather than a re-arrangement of detail and simplification in presentation of accounts. I do not suggest that this was not a very positive step in itself, but it does not seem to me that it dealt with the whole question of simplification in the presentation of accounts.

The WITNESS: I would not suggest that this is the last word, by any means. A good many years have passed since this was done, and, as I have pointed out, the activities of government have grown enormously.

Mr. JOHNSTON: That was the last general revision?

The WITNESS: That was the last general revision, yes.

By Mr. Langlois:

Q. You mentioned the Department of Finance. Did they concur in this change, were they in agreement with the proposed revision which was carried out?—A. Yes sir.

Q. Was Mr. Sellar the Auditor General at that time?—A. No sir.

Mr. CROLL: No sir.

Mr. LANGLOIS: Who was it?

The WITNESS: Mr. Gonthier.

Mr. BALCER: Mr. Sellar was talking about changes in procedure and he used as an example this page 4 here, the estimates relating to the Department of Agriculture, and one of his suggestions was that a lot of the items there could be consolidated into one vote. You will see that in the four sections dealt with on that page—perhaps I should say branches of the department—similar items appear with respect to each branch, and the suggestion was these might be

consolidated into one item. For instance, the department, we were told, takes money for travelling expenses and uses it for let us say printing and stationery; is that so?

The WITNESS: Only if they come to Treasury Board and ask for the reallocation of votes in different amounts. That is what we call transfers between allotments, and they will have to give us satisfactory reasons for doing that. That is one manner in which the cabinet or the Treasury Board keeps a general survey over the programs of the departments so that you get the element of general control over the programs as well as administrative or ministerial control.

Mr. BROWNE: It is a very detailed job too.

The WITNESS: It is a detailed job.

Mr. BALCER: How would that apply in the case of National Defence? I see there have been considerable transfers there.

The CHAIRMAN: Would you speak a little louder, please, Mr. Balcer?

Mr. BALCER: Take the item there with respect to buildings, monies voted for building purposes in National Defence could they take that and use it for travelling expenses and things like that?

The WITNESS: We would require National Defence to observe very much more detailed control over their allotments than is published here, there would be much more detailed control exercised; so they would have to come to Treasury Board—I suppose there are transfers in National Defence every week between the various branches of the department, the various allotments. Of course, it is such an active organization that you are bound to have changes in program from month to month.

Mr. LANGLOIS: A while ago in answer to my question you said that Mr. Sellar was not at that time Auditor General. I understand he was at that time Comptroller of the Treasury. Had he any comment to make on that?

The WITNESS: I tried to find out last night but was not able to do so.

Mr. CROLL: But the Comptroller of the Treasury was consulted?

The WITNESS: Yes.

By Mr. Johnston:

Q. There is one thing I would like to know. I understand Mr. Bryce to say that there is absolutely no changing of money from one vote to another without going to the Treasury Board; now, I did not understand Mr. Sellar to say that, and I wondered if you would agree with what Mr. Sellar said in regard to that?—A. I am sorry I did not make myself clear on my point. We do not have any authority to make transfers between votes except in certain specific votes that are for that purpose. You will see certain votes of Public Works that are there to supplement other votes as it becomes necessary. For instance, take an estimate dealing with a particular item and the cost of it turns out to be larger than anticipated, there is a small vote there from which we can transfer funds for this purpose by statutory authority.

Q. But is it done? Is money transferred from one vote to another?—A. Oh, no sir; the transfers I speak of are within the votes but between the various categories into which the vote is divided.

Q. And they need to get the approval of Treasury Board before doing that?—A. That is it, sir.

Q. Then, as to the transferring of moneys within the vote from one part to another they have to go to the Treasury Board for authority?—A. Yes.

Q. Then there could be no transfer whatever of any moneys without getting permission from the Treasury Board; is that right?—A. That is right, sir, within

the major categories that are established. Now, normally, those are the categories shown here in the details of these services for which the vote was made, but on some occasions in some of the votes we will adopt a different set of categories for managerial purposes. I speak from memory, but if you will look at the Experimental Farm—Agriculture—you will find that the details given in the votes here are explanatory details such as are found in the details in the other votes.

The CHAIRMAN: What page is that?

The WITNESS: That is on page 81—I think that would be the best illustration—on page 82, for the branch farms. Now, speaking here only from memory and subject to correction, I believe that this is normally managed throughout the year, on the basis of the various branch farms. That is to say Treasury Board will allot that total vote to amounts for each farm and they will operate on that during the year; and the vote will be controlled, as we say, in terms of the amount required for the various farms; then, at the end of the year when the public accounts are prepared they will determine how much has been spent in these categories so it can be shown in the public accounts for the information of parliament.

By Mr. Johnston:

Q. Even under that there is absolutely no transfer without authority from the Treasury Board?—A. Yes' sir.

Q. Then I am clear on this, that there is absolutely no transfer on any vote or within any vote without the approval of Treasury Board?—A. Yes.

Q. For any purpose?—A. But between the categories that are set forth, of course.

Q. And that between the categories set forth there on page 81?—A. Or 82. Take there for instance there the item on, acquisition or construction of buildings and works; you will notice there the large item in the Experimental Farm's vote of \$456,000 for the acquisition and construction of buildings and works; now, they will have a considerable element of discretion as to whether they would proceed, let us say, with a small building on one farm or an alternative building on that farm.

Q. Let me ask you this: do you think that Mr. Sellar was in error when he was speaking about that the other day?—A. Well, he said, as I recall, that the divisions have no real significance; I think what he meant by that is that they have no statutory significance.

Q. And could be changed?—A. but—as far as the law governing the department is concerned, they have a significance.

Mr. BROWNE: You will find that on page 6 of his report.

Mr. JOHNSTON: We could quite easily get the evidence from the printer.

Mr. BROWNE: The vote there was exceeded by \$400,000; how would that happen?

Mr. JOHNSTON: What is the page?

Mr. BROWNE: That is on page 6 of the report of the Auditor General.

The CHAIRMAN: Has that any relation to the question which is now before the committee?

The WITNESS: No, that is a separate item. For instance, the department of Transport Stores Act years ago established a limit on inventories which could be held by the department and that limit has become obsolete and I believe there is legislation before the House at the present time altering it.

Mr. BROWNE: How would they be able to build that up?

The WITNESS: I presume one of the other appropriations could be used for the payment for stores which they required to purchase, but they were not supposed to hold at the end of the year beyond this stated amount of inventory.

By Mr. Johnston:

Q. Then they would change from one item in that vote to another.—A. I do not know enough about the accounting process to say that, sir; on the mechanics of that the Comptroller of the Treasury could tell you.

Q. I am trying to reconcile your statement with the one made by Mr. Sellar because I am a little confused there.—A. I am not surprised, sir, because the operation of these various stores accounts are a complication that is a little unusual in our law. There are only two or three of them in the whole government service; and the relationship between the accounts for these and the accounts for the votes is a quite complex accounting problem and one on which the Comptroller of the Treasury rather than myself should speak.

Q. I do not think there is any misunderstanding in what you have said, that there is absolutely no transfer whatever without the approval of Treasury Board.—A. That is right.

Mr. CROLL: Within the available votes.

The WITNESS: Yes, within the votes.

Mr. JOHNSTON: I meant within the limits of the individual vote.

Mr. BROWNE: They cannot change from one vote to another.

Mr. JOHNSTON: I do not know whether that is so or not; that is what I am trying to get clear. You say they cannot?

Mr. LANGLOIS: I do not think so.

By Mr. Drew:

Q. Just to come back to this question of detail and returning again to the estimates: Where for instance in the estimates do we find the estimate of the deficit of the Canadian National Railways and Trans-Canada Air Lines?—A. Those are not provided for in the main estimates because the main estimates would be brought down each year in February or March—for instance, this year, 1950—and it is exceedingly difficult to anticipate at that time of the year what the deficit of the T.C.A. or the C.N.R. would be. The practice has been to vote those amounts in the further supplementary estimates following the end of the calendar year to which they relate.

Q. You see the result that produces, Mr. Bryce. The deficit on the Canadian National Railways which was voted as a supplementary estimate for this past year was how much?—A. \$40 million odd.

Q. \$40 some odd million; and the deficit on Trans-Canada Air Lines was in the neighbourhood of \$4½ million. Perhaps if you have them there, we could use the exact figures, because for the purpose of my point I think that is of some importance.—A. The amount for the C.N.R. was \$42,043,028.

Q. Is that the estimate for this coming year?—A. That was the amount in the further supplementary estimates for the last fiscal year.

Q. For the last fiscal year?—A. Yes, and it covers the deficit for the calendar year, 1949.

Q. Yes, and Trans-Canada Air Lines?—A. Trans-Canada—the total was \$4,317,594.

Q. And the total amount approximately?—A. \$46,400.000.

Q. Now assuming for the sake of argument that the deficit of the Canadian National Railways and Trans-Canada Air Lines for the coming year is something of the same order, or something of approximately the same figure, we know that this will be covered by supplementary estimates, and for that very reason we know that the estimate of \$30 million surplus in the estimates is not an accurate amount at all because we know that these estimates actually are estimate budgeting for a deficit; isn't that so?—A. Well, sir, in the budget we go beyond

the estimates and we endeavour to forecast what the total expenditures, including those required to be provided by supplementary and further supplementary estimates, will be.

Q. Well then, in the estimates do you provide for a loss in excess of \$40 million?—A. If you will look in the Minister of Finance's budget speech you will see there a paragraph or two going from the estimates to the total. Now, he does not reveal just exactly how much he includes for this, that and the other item; because, of course, it is more difficult to forecast any particular one item than it is to forecast the total as a whole; it is a little difficult to budget as to just how much additional expense you are going to have over and above what has been provided for in the main estimates.

By the Chairman:

Q. Do you mean that when he forecasts a surplus it includes whatever calculation he has made respecting any deficit which might have to be provided for in the supplementaries or the further supplementary estimates?—A. Yes sir.

Q. So the forecast he made in his speech was about as accurate as it possibly could be?—A. Yes.

Q. Even including the estimates to be brought down in the supplementaries?—A. Yes. I believe it is a custom of many years standing that the Minister of Finance endeavours in each year, so far as it is possible, to indicate what the total expenditure will be, and in doing that he will not only try to allow for things such as deficits but the amount of money which will be required to meet that. He will try to allow as best he can for the short fall on estimates, the amount that actual expenditures will be below the amount provided by the votes in the estimates. The votes in the estimates set an upper limit for expenditures.

Q. Do you also take into consideration that revenue receipts may be less than was anticipated?—A. Yes.

By Mr. Croll:

Q. In the years past his estimating has been most accurate; and, am I right in this, that his estimate for last year was very close indeed?—A. I hesitate to speak from memory on that. It is a matter where you have so much variation one way or the other that you would have difficulty in forecasting the net outturn.

Q. Do you remember last year?—A. I was at many of the discussions and I know it is very difficult.

MR. CROLL: I remember him telling us about that and I just thought if we could get that it would be interesting.

By Mr. Drew:

Q. Then, in this case, there is a covering statement with details in regard to matters of that kind. Well now, let me take another subject. Let me ask you where we will look for information in the public accounts which we have before us with respect to certain other matters. As you know, there has been a good deal of property owned by the government other than ordinary government property. Now, where in the public accounts, for instance, does one find this property set out?

THE CHAIRMAN: Do you mind elaborating as to what kind of property you have in mind?

MR. DREW: Yes.

By Mr. Drew:

Q. Let me ask you a question for instance with regard to government expenditure in connection with certain mines. There is one case I have in mind where they acquired a mining property, the Eldorado Mining Company, by the acquisition of stock and they did that by order in council. That is set out because it is a continuing company. But the government also acquired other mines where there would be no separate corporation set up for that purpose. Where do we look for the details on that?—A. Well, sir, the classification of assets that we report on the balance sheet, there are a number of classifications I might say—

Q. Yes.—A. —and I could not give you that, sir, without some study for the purpose as to the boundary line between these is whether they are classed as active assets and the other assets which we show in our assets and those assets which the government continue to hold as charged to expenditure in the past. There are a great many assets I am afraid that just do not appear in the public accounts as such because they were really expenditures made in previous years and the physical asset remains now—an untold amount of equipment, for instance; that, I am sure, is not reflected in the accounts. I could not answer you further on that without, as I say, examining the question.

Q. Well then, Mr. Bryce, let us recognize that there is a very real difference between properties such as the building which we are now in and the grounds surrounding it and properties that for one reason or another have been taken over for operation by the government. I am not saying that I think it is right that all the assets should be shown in some way, but assuming that there are reasons for not showing such buildings as this parliament building—this and other properties of that kind which under no possible circumstances could ever be disposed of or would be disposed of—but, nevertheless, there are other properties which are used for other purposes which can be and which are disposed of from time to time. Is there any place in these public accounts that any member of parliament can find a statement of what these properties are?—A. Those that are disposable properties?

Q. Yes.—A. I don't believe there is entered any complete list of those; of course, all sorts of properties may be disposable to a degree. We may own buildings such as a post office in a particular town which is presently disposable—I think in many cases it would be—but if we were going to cover all such assets it would be necessary to include a great many that are perhaps of doubtfully disposable value; and I am not sure that the records would exist now unless we went through and made an accurate appraisal of them.

The CHAIRMAN: I think Mr. Drew has something else in mind; if he would elaborate on that we would know what it is.

Mr. DREW: Yes. I have given you an example. You doubtless are aware of the fact that the government did acquire certain mines.

The WITNESS: Yes, I cannot say exactly which ones.

Mr. DREW: I think you will recall that the government acquired a coal mine in British Columbia, I do not know whether they own that now or not; I think they acquired mines in other parts of the country. Now, in cases where they acquired a mine which was already an operating corporate enterprise, let us say such as the Eldorado Company, they continued that as an operating entity through their complete ownership of the shares. There are other cases where Crown corporations continue to be shown—such as the Polymer corporation and enterprises of that nature. Now, the fact that a company of that kind happens to be a Crown corporation—but happens to have started as a private corporate entity through the taking over or acquisition of all the stock—does not place it in any different position, it seems to me, from the point of view of

recording the assets of the government—to property of a similar nature which does not happen to be held in a similar way?

The CHAIRMAN: You are referring to the mines.

Mr. DREW: Well, take the property at Cartierville. That has been disposed of and sold to the Electric Boat Company. Where is that property shown in the public accounts?

The WITNESS: I am afraid, sir, that I would not be able to put my hand on it.

Mr. CROLL: Mr. Sellar answered by saying it would be shown in the War Assets statement.

Mr. DREW: It is not included in the War Assets statement. The War Assets statement obviously does not include it because that property cost about \$24,000,000 and the War Assets statement amounts only to a very small figure.

Mr. BLUE: What is the name of that property?

Mr. DREW: It was property built originally under the direction of the Vickers company and then separated, under some arrangement, from the Vickers company and operated as a government plant?

The WITNESS: I would look first in the records of the old Department of Munitions and Supply and I was going to look and see whether it was under a reconstruction and supply heading—but I think it would be best sir, if I endeavoured to inquire into it and furnish the chairman with the information I can get as to where that is recorded.

Mr. DREW: The reason I ask is that I know the question had been previously raised and the answer was given that it would be included in War Assets but, on examining the total assets of War Assets, it is quite obvious that this building I am speaking of cannot be included.

Mr. CROLL: It may be in there for the usual dollar amount.

Mr. DREW: This has been at all times an operating company.

The CHAIRMAN: We have the War Assets balance sheet at page Y90 of the public accounts.

Mr. BLUE: I move that we adjourn, Mr. Chairman?

The CHAIRMAN: Well, perhaps we can just have one second.

Mr. DREW: You say it is at Y90?

The CHAIRMAN: Yes.

Mr. DREW: But, Mr. Chairman, you see the total assets of the War Assets Corporation are shown on the balance sheet as \$7,203,600, of which \$5,777,000 is cash on hand. It is perfectly obvious that the figure does not include the property at Cartierville.

The CHAIRMAN: On page Y92 you have sales of surplus Crown assets, although I do not see that the item is included.

Mr. DREW: It is not included under sales on Y92 and it cannot be one of the assets shown on page Y90.

The CHAIRMAN: Did you not say that it had been sold?

Mr. DREW: Yes.

The CHAIRMAN: It would not be shown in these public accounts. We will find it in the statement next year.

Mr. DREW: But I want to know where it is shown now? I am only asking in regard to this one property as an illustration. I still want to know about those mines.

The CHAIRMAN: For the year ending March 31, 1949, there is shown sales to the extent of \$30,000,000. If the sale you refer to has been made since March 31, 1949, it will appear in the public accounts next year.

Mr. DREW: Well, before we adjourn, Mr. Chairman, so that it may help in continuing this matter, may I ask Mr. Bryce—

The CHAIRMAN: We might sit at nine o'clock tonight—

Mr. JOHNSTON: I thought we were to have just one meeting a day.

The CHAIRMAN: Well, since we are right in the middle of this I thought we could sit tonight. As there is objection to that we will sit then at eleven o'clock tomorrow morning?

Mr. CROLL: Was it a recent sale, or some years ago?

Mr. DREW: The sale was made last October.

The CHAIRMAN: It would not be in here then.

Mr. DREW: It is not so much the sale, I want to know where the property is.

The CHAIRMAN: The record will be in the public accounts.

Mr. DREW: Would you, Mr. Bryce, for the purposes of continuing this matter when we resume, make the appropriate examination and prepare a list of those government properties which can be regarded as operating properties as distinct from ordinary government buildings.

The WITNESS: I will try to get what I can on that.

The CHAIRMAN: The committee stands adjourned until tomorrow morning at eleven o'clock.

The committee adjourned.

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STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

FRIDAY, MAY 5, 1950

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister of Finance

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



STANDING COMMITTEE
on
PUBLIC ACCOUNTS

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Vice-Chairman: D. A. Croll, Esq.

Messrs.

Anderson	Drew	Major
Ashbourne	Fleming	Maybank
Balcer	Fournier (<i>Maisonneuve-Rosemont</i>)	Pinard
Beaudry	Fulford	Prudham
Benidickson	Fraser	Richard (<i>Gloucester</i>)
Blue	Gauthier (<i>Portneuf</i>)	Richard (<i>Ottawa East</i>)
Boisvert	Hansell	Riley
Boivin	Helme	Robinson
Brisson	Homuth	Sinclair
Browne (<i>St. John's West</i>)	Johnston	Stewart (<i>Winnipeg North</i>)
Cauchon	Kirk (<i>Antigonish-Guysborough</i>)	Thatcher
Cavers	Kirk (<i>Digby-Yarmouth</i>)	Thomas
Cleaver	Langlois (<i>Gaspé</i>)	Warren
Cloutier	Larson	White (<i>Hastings-Peterborough</i>)
Cruickshank	Macdonnell	Winkler
Denis		Wright
Diefenbaker		

Clerk: A. L. Burgess.

ORDERS OF REFERENCE

THURSDAY, 4th May, 1950.

Ordered,—That the name of Mr. Drew be substituted for that of Mr. Murphy on the said Committee.

FRIDAY, 5th May, 1950.

Ordered,—That the name of Mr. Kirk (*Digby-Yarmouth*) be substituted for that of Mr. Isnor on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

FRIDAY, May 5, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Balcer, Benidickson, Boisvert, Boivin, Brisson, Browne (*St. John's West*), Cavers, Drew, Diefenbaker, Fraser, Hansell, Helme, Johnston, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspe*), Major, Picard, Prudham, Richard (*Ottawa East*), Riley, Robinson, Sinclair, Stewart (*Winnipeg North*), Winkler, Wright.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed consideration of the form in which estimates are presented to the House.

Mr. Bryce tabled a summary of the estimates for the fiscal years ending in 1951, 1950 and 1939 by main objects of expenditure and special categories; also explanatory notes covering the items detailed in the said summary, which are printed as *Appendices A* and *B* to this day's minutes of proceedings and evidence.

Mr. Thatcher moved that the explanatory notes tabled by the witness be examined in detail.

After discussion, and the question having been put on the said motion, it was agreed to.

Examination of Mr. Bryce was continued.

At 1 o'clock p.m. the Committee adjourned until Monday, May 8, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 5, 1950.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, for the benefit of those who were sitting on other committees and were not here yesterday I might say that we have called before us Mr. Bryce, Assistant Deputy Minister of Finance, who is specially in charge of estimates. Mr. Bryce is here to answer any questions that the members may want to ask him on the memorandum on estimates presented to the committee by Mr. Sellar. We have agreed to confine our questions to the memorandum on estimates and to finish with that before we take up the memorandum on the Department of Agriculture estimates. We are at this moment on the memorandum on estimates submitted by Mr. Sellar.

Before I open the discussion I would like first to mention that yesterday there were one or two points brought up which Mr. Bryce left unanswered. I think it is my duty as chairman of the committee to make certain that we have the record complete, so I would ask that these items be covered first before we open the discussion. At one point Mr. Drew asked about the consolidation of items for each department in the form of a statement similar to that which now appears in the first part of the book of estimates, a statement which would cover every department, showing at a glance the money involved under each main classification. I would like to ask Mr. Bryce if he has any comments or if he would care to give us his views on that point raised yesterday, which, I think, is of very great importance.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, recalled:

The WITNESS: Well, sir, you spoke to me about this before the meeting and I said that I should, perhaps, bring to the committee, and you agreed, a summary of expenditures that I had prepared in answer to a request from Senator Crerar for the Senate Finance Committee about six weeks ago—before the Easter recess. The Senate Finance Committee asked if we could prepare such a table as was spoken of yesterday and I thought that in view of the discussion yesterday you might wish to have it, so I have brought along this morning a summary tabulation, such as we discussed yesterday. I would like to make clear one or two points about it in advance if I might. We have made this selection in accordance with the discussion that I had with Senator Crerar when he asked for this summary. There is no accepted uniform classification of items that can be used as a standard and which would be understood by all departments. There are some categories which are important in certain votes and therefore shown separately but which are not important in others and therefore not segregated. We have had to use our own judgment in classifying items and selecting categories in which to classify them, and in many cases we did not have and could not get within a short time sufficient information to make a complete division along the lines set forth, particularly in those instances where relatively small amounts

were provided in a vote for one of the purposes listed in our table but under another heading. As a consequence, it would be difficult for the various departments to classify their expenditures under all these various headings, and it would not be possible for anyone lacking all the details available in the Treasury Board offices to subdivide the total we have by departments. We have assembled these totals from the information obtained in regard to the items from each of the various departments and agencies concerned but we have not attempted to prepare the detailed table that will be necessary to give that by departments.

I should perhaps point out that there is some room for argument as to where you classify certain items, and I do not want to say this is the last word or the only word that can be said on that. We have had to use some element of discretion in making such a classification. The table gives amounts included in the main estimates for this year, in the main and supplementary estimates for last year, and in the main and supplementary estimates for the last pre-war year. Since it was available at the moment I thought it would be wise to bring it along to the committee after you had spoken to me about it, Mr. Chairman. We have copies available if you would like to have them distributed to the members.

The CHAIRMAN: I think it would be quite advisable to have the copies circulated. I think, in the meantime, Mr. Bryce could you give us an idea as to exactly how the type of classifications have been arrived at by the Treasury officials, since this summary was prepared long before we asked for it in this committee. I think it is important we should get it on the record.

The WITNESS: I should say there is a second memorandum describing in some detail what we have tried to include under the various headings. I thought that it was desirable to have the explanatory notes available so that it would be quite clear what we have been trying to do. Would you like me to read off the categories?

Mr. STEWART: I wonder if you would wait until we have the documents in hand. It would make it a little more easy for us to follow.

The CHAIRMAN: Now, Mr. Bryce, would you please proceed?

The WITNESS: It will be seen that the categories we have picked out are the following:

1. Civil Salaries and Wages
2. Allowances—Civilian
3. Pay and Allowance—Defence Forces and R.C.M.P.
4. Professional and Special Services
5. Travelling and Transportation Expenses
6. Materials and Supplies
7. Publications, Films, Broadcasting and Advertising
8. Freight, Express and Cartage
9. Telephones, Telegrams and Postage
10. Printing, Stationery and Office Equipment—
 - (a) Printing and Stationery
 - (b) Office Equipment
11. Buildings, Works and Structures—
 - (a) Acquisition or Construction, including Purchase of Land
 - (b) Maintenance and Repairs
12. Equipment—
 - (a) Acquisition or Construction
 - (b) Maintenance and Repairs
13. Rentals of Property

14. Interest on Public Debt and Other Debt Charges
15. Subsidies and Special Payments to the Provinces
16. Other Subsidies, Grants, Contributions, etc.
17. Family Allowances Payments
18. Old Age Pensions, including Pensions to the Blind
19. Veterans Disability Pensions and Other Payments under the Pensions Act
20. Other Payments to Veterans and Dependents
21. Militia Pensions Act Payments
22. Other Pensions and Superannuation
23. Governments Contribution to Unemployment Insurance Fund
24. General Health Grants
25. Trans-Canada Highway Contributions
26. Movement of Mail by Land, Air and Water
27. Maritime Freight Rates Act
28. Direct Relief and Relief Projects
29. Deficits—Government Owned Enterprises
30. All other Expenditures.

And then the totals are given; and item

31. Less Estimated Savings and Recoverable Items

And then the net total is arrived at.

Perhaps I might say in explanation of item 31 that in special cases in particular votes there are gross amounts provided for a number of purposes and then a deduction made in arriving at the actual amount. No. 31 includes those reductions. It was necessary to do it that way in order that we could break down all the votes in the thirty categories that we selected.

Mr. STEWART: Mr. Bryce, this is a very interesting summary. I wonder if you can tell the committee just how long it took you to compile it.

The WITNESS: I would say it took two or three weeks, but not full time. It took a good portion of the time of our officers over two or three weeks.

By Mr. Johnston:

Q. How many men would be employed on that, would you say? When you say "our officers", I wonder how many?—A. I would think two or three for a good deal of their time over that period, and perhaps two or three others from time to time. I am sorry I did not anticipate that question so I cannot tell you exactly.

Q. I just wanted a rough estimate.—A. I should add that it also involves making use of a good deal of information that had been tabulated in preparing the estimates themselves and without such advance work it would have taken much longer.

The CHAIRMAN: These two memoranda will be printed as appendices in connection with today's proceedings.

Appendix A: Estimates.—Summary by Main Objects of Expenditure and Special Categories.

Appendix B: Explanatory Notes Covering the Main Objects of Expenditures and Special Categories.

By Mr. Drew:

Q. In the preparation of this summary of the estimates, who chose the breakdown of designations that we have here?—A. Well, sir, it was made up by

Mr. Smellie, Director of Estimates and myself, on the basis of what Senator Crerar told me would be of interest to the Senate Finance Committee.

Q. What I am really directing the question to is this: is this a breakdown of estimates which seems to you to be a rational separation of matters, or is that one that was proposed to you in this form?—A. It was very largely proposed in this form subject to the limitation of the material we had available. In other words, it was not possible to prepare, at short notice, figures in radically different categories, let us say, in the first fifteen items.

The CHAIRMAN: Now, Mr. Bryce, would you care to answer Mr. Drew's second question as to whether you consider it a good division.

The WITNESS: I think it is a good division. Of course, it includes, for example, under civil salaries, salaries paid for a large diversity of government functions. It would include, as is noted here, items from the salary of the Governor General, on one extreme, to the casual employees in construction work in various outlying parts of Canada, on the other.

By Mr. Stewart:

Q. It would not necessarily take up so much of your time in the future if the departments at the same time as they are preparing their estimates would compile their sections of this summary?—A. We could compile it more quickly, yes.

Q. It could be done simultaneously.—A. I should point out, however, one point in that regard. If we are going to do cross-classifications of this kind it means a longer interval between the time when the decisions are taken and the time when the estimates can be tabled in the House. Every decision to change an item involves changing all the cross-classifications and details throughout. You will see there is a mechanical problem there in time lag that is involved.

Q. I remember we had some experiences of this nature before when I was sitting on the war expenditures committee. When a member asked a legitimate question we would be told it would cost the taxpayers of Canada several thousand dollars to get the answer to that question.

Mr. BENIDICKSON: What were the questions? We could refer to them.

Mr. STEWART: This was in 1946. There were objections taken at the time. A legitimate question would be asked and we would be told it would cost a certain amount of money to answer it. As a result of that the news got abroad, unfortunately, that members were asking for information that incurred additional expenditure for the taxpayer. We do not want to do that, because we are taxpayers ourselves. I hope this question of expense to be incurred in answering legitimate questions does not come up in this matter.

The CHAIRMAN: Will you let Mr. Bryce answer that question?

Mr. STEWART: I was not asking a question. I do not expect an answer. I was just stating that every question we asked must cost money to answer.

By Mr. Fraser:

Q. In compiling this little summary here did your department keep each item separate or each setup separate so that if a member asked a question they would be able to go to your department and get that information instead of having to hunt through the files?—A. Well, sir, I should point out these are the amounts provided in the estimates. These are not expenditure figures. Perhaps, I should make that quite clear. Even for the early years these are the estimate figures. We do not yet have the expenditure total for last year.

Q. What I am getting at is this: here we have category No. 7, publications, films, broadcasting and advertising. Now, I know I asked a question on advertising, publicity. Would you have the figures separate for advertising as a result of having prepared this?

The CHAIRMAN: We are on estimates, Mr. Fraser. Your question might be proper when we are on public accounts. These are the estimate figures we are considering.

Mr. FRASER: I know.

The CHAIRMAN: If you want to know how much has been spent your question can come up when we take up public accounts. We are studying Mr. Bryce's proposals for splitting the votes into functional classifications.

Mr. FRASER: I know but it would cover part of my question, would it not?

The CHAIRMAN: I do not think so. We are dealing now with suggestions about classification of the estimates.

Mr. DREW: Of course, the proposition I put before Mr. Bryce is one that applies with equal force to public accounts or to estimates.

The CHAIRMAN: Afterwards, yes.

Mr. DREW: Public accounts are only accounts that have been estimates; estimates that have been put into effect. In regard to this question of the cost of answering questions, raised by Mr. Stewart, I would like to ask Mr. Bryce a question in regard to that. You made a comment that rather struck me in your preliminary remarks before presenting these two memoranda. You said it would not be possible for anyone not possessing information that you had in your department to break down these figures and determine what they really mean. I can well understand that but, as I appreciate the questioning, it was directed yesterday afternoon and this morning towards the idea of some simplification of procedure that would not only make it possible for the estimates and the accounts to be prepared in a form that could be more readily understood but also would effect savings in dealing with various items of public business. Mr. Diefenbaker raised the question yesterday afternoon and in the answer it was pointed out that there was difficulty in answering some of these questions because of the uncertainty as to whether one could get the up-to-date information in regard to various details. Having reviewed the situation I would like to ask the question: Suppose that, even at some greater expense, a system of accounting were established under appropriate definitions of the various items that brought these regularly up-to-date at periodic intervals from every part of the government service, would it not save a great deal of time in getting information when these questions are asked in the House?

The WITNESS: Yes, it might well do so if we could agree on what we call expenditure classifications that could be used generally. Then I think it would be possible. I speak here subject to correction by the comptroller of the treasury, who is the expert in this matter, that accounts could be kept monthly in these terms and would require relatively short notice in getting expenditures up to the end of the previous month.

By Mr. Langlois:

Q. That would be so if the question asked by the member was in conformity with the meanings of the headings that the expenditures are grouped under, is that not right?—A. Yes.

Q. If a member asks a question in accordance with the summary it will be easy to answer his question, but if he wants details other than those mentioned under the various headings, well, you would have to start your work all over again, is that a fact?—A. Well, the more particular the question the more detailed the investigation of the account must be to answer it. If we adopted standard headings of this kind, questions in terms of these standard headings should be easily answered.

Q. Members will have to ask standard questions then?—A. Yes.

By Mr. Drew:

Q. Mr. Bryce, is it not a fact that at the present time it would be absolutely impossible for any member to ask a standard question relating to each item of the department even if he were dealing with the same subject in many cases?—A. If he asked for salaries paid, for example, that, I think, is a sufficiently common classification now that he could get an answer to it.

Q. I know there are certain cases where it would be the same, but is it not so that in your answers yesterday you indicated that there were different terms used for the same subject matter in different departments today?—A. Well, in effect, yes; the accounts are kept in slightly different classes. The same type of expenditures on individual items in the accounts might well be described in the same way but the groupings would be different.

Q. Well then, would it not save the expense that is now involved in detailing certain employees in a department to find the information for a particular question if there were a general classification that in ordinary cases would make it possible to ask the same type of question in regard to each department, knowing you were dealing with the same subject matter in each case?—A. I think it well might, but I do not know enough of the mechanics of the accounting problem to know the order of the magnitude of the expenses that would be involved.

Q. I know, I would not expect you to give it to me exactly, but I am putting it as a proposition.

The CHAIRMAN: The Comptroller of the Treasury could be called later and asked that question.

By Mr. Langlois:

Q. Referring to your last answer to Mr. Drew's question, Mr. Bryce, you do not mean to say in connection with travelling expenses, for example, that that description does not mean the same thing when discussing public works and discussing national defence estimates or expenditures? You do not mean to say that?—A. No, but travelling expenses, like salaries, are one of the fairly common categories, subject to the qualification that in certain departments you may have included with it things like compensation to officers whose effects were lost during the war; somewhat similar items may be covered in the same primaries; but broadly speaking salaries and travelling expenses are classes that are common to nearly all the votes and questions about expenditures on them would be fairly readily answered because we have made considerable progress already in standardizing some of those divisions of the votes. We have not completed that progress, and if this committee and the House and the government were to come to an agreement on a desirable way of classifying expenditures for purposes of this kind then we can adjust our accounting to meet it and accomplish it.

Q. When you say that the clear meaning is not apparent in all departments as to the various items, is it a logical fact that expenses in the various departments are not always comparable expenses?—A. I think perhaps you misunderstood a little what I was saying. The divisions in the estimates that we use for different votes are not always the same and for that reason the accounts which are determined by those divisions are not always the same for each of the votes. It is not that the wording has different meanings, it is only the grouping of particular transactions which is different.

Q. The reason I asked that was because your answer tends to give the impression that you were using a different thing in one department than you were in another.—A. I am sorry, it is a different grouping for accounting purposes and it follows out of the different divisions or primary allotments used here for estimate purposes.

Mr. THATCHER: Mr. Chairman, I was wondering if we could go down these points which Mr. Bryce has made in detail and then we could decide whether or not it is a good thing to consider it the way it appears there.

Mr. MACDONNELL: Mr. Chairman, could I ask one preliminary question before you do that?

The CHAIRMAN: Yes.

By Mr. Macdonnell:

Q. I understand the witness to state that this category division—I suppose you may call it that, into functional operations was not prepared in his department but came from the Senate; am I correct in that?—A. No, sir, it was prepared by us in the Department of Finance at the request of Senator Crerar on behalf of the Senate Finance Committee.

Q. Was there any division comparable to this in existence before?—A. We normally make a separation, a cross-classification, when considering the estimates, but not essentially in the same categories as you have here. In the Department of Finance in analyzing the estimates we are interested too, in this sort of thing in seeing the nature of the expenditures contemplated in the estimates.

Q. Then are you perfectly free to suggest changes in the method of set-up of the departmental figures or do you more or less accept them as sent out and make your own divisions for it?—A. Oh, the Department of Finance has made suggestions in the past as to classifications.

The CHAIRMAN: Is it then the desire of the committee that we should look over in detail the material which Mr. Bryce has supplied the committee?

Mr. DREW: Just to keep it in some sequence I would like to go back to this question I asked because I do not think the answer given by Mr. Bryce was in any way inconsistent with the situation. For instance, we were discussing yesterday the possibility of determining just how much is spent on advertising and publicity and different things of that kind and at that time I pointed out to him that different terms are used and that there is a different division in different departments in connection with this. Just as an example, let us take the Department of Trade and Commerce, item 246 on page 52, where you have publicity and advertising in Canada and abroad, \$201,315; then in the case of Transport at page 64 you have—

The CHAIRMAN: I do not see that as a preliminary question to a detailed study such as has been proposed by Mr. Thatcher. If we were to go on into that we would lose ourselves. With all due respect, Mr. Drew, I think we should proceed in an orderly fashion and if we are going to study this report we should consider it item by item and when we come to the item relating to advertising you could bring that matter up then.

Mr. DREW: That occurred to me as being a good example and I just wanted to cover it at this point.

The CHAIRMAN: I think it would be better if you waited until we reached that.

Mr. DREW: Very well, Mr. Chairman.

Mr. THATCHER: I move that we go into this in detail now.

The CHAIRMAN: It is moved by Mr. Thatcher that we go into a detailed study of this memorandum calling the items in order as they have been presented to us.

Mr. BENIDICKSON: Mr. Chairman, before we go into any detailed discussion of these items is it fair and proper to ask in a general way which of these items is statutory and which are subject to discretion or perhaps I should say vote?

The CHAIRMAN: That would be an entirely different subject and I think we should first deal with the memorandum which is before us. You see, I cannot treat one member any differently than another and I asked Mr. Drew to withdraw his question until the item to which it relates is before us.

Mr. FRASER: I would like to deal with that in a general way first.

The CHAIRMAN: All right, let's have your question.

By Mr. Fraser:

Q. Is it fair to assume that this summary covers every item in the estimates, that they are included under these headings?—A. In one place or another, sir, they are all there.

Q. They are all here?—A. Yes.

Q. Then we have advertising here, that covers all the advertising that was done during one year?—A. Well, sir, as I indicated at the time I introduced this table, there may be some small amounts of items in various categories here that are not appropriately placed. For instance, if you take materials and supplies in some of the small votes they may be under headings for materials and supplies and they may be in sundries or small amounts voted in that way.

Mr. THATCHER: On a point of order, Mr. Chairman, I had a motion which I think should be dealt with.

The CHAIRMAN: Yes, I think that was quite fair. The matter to which Mr. Fraser is now referring should be dealt with when we reach the item on advertising.

Mr. FRASER: I just wanted to get it straight that this was all covered in the estimates.

The CHAIRMAN: That has been answered.

Mr. FRASER: Yes, it has been answered.

The WITNESS: It will come out in the individual items, I think, as we go through them.

The CHAIRMAN: And the details are the details of the amounts for the year mentioned.

The WITNESS: All the items are accounted for somewhere in these categories.

The CHAIRMAN: If Mr. Thatcher's motion carries let us go through this memorandum by items.

Mr. BENIDICKSON: Before we come to that is it not proper that we should know which of these items are statutory items and which are not.

The CHAIRMAN: Your suggestion is to differentiate between the statutory and non-statutory items?

Mr. BENIDICKSON: Yes.

The CHAIRMAN: Let us deal with that question because it has a direct bearing and I think it might be answered now.

The WITNESS: Well, sir, in regard to that I should say that we have picked out most payments of that kind and indicated them separately; for instance, there is the statutory payments with respect to family allowances, those are all given under one heading.

The CHAIRMAN: I think, if I may say so, that Mr. Benidickson's question was more general than that, can you give us the details as to which of these items are statutory items and which are non-statutory items?

The WITNESS: No, some of these are statutory and some are votes.

The CHAIRMAN: If that motion is carried?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Let us go into a study of this submission in detail.

Mr. LANGLOIS: You mean to take it paragraph by paragraph?

The CHAIRMAN: Yes. No. 1: *Civil Salaries and Wages.*

By Mr. Drew:

Q. In connection with that first item, that would comprise all the salaries of every one of the departments for administrative purposes; in the case of the Department of National Defence where a great deal of the administrative work is done by men in uniform, where would that be allocated?—A. That would be in No. 3, sir; Pay and Allowances—Defence Forces and R.C.M. Police.

Q. So that we would not have all the administrative cost in this item No. 1 with respect to the Department of National Defence, part of that administrative cost would be shown in the heading in section 3 which covers the pay and allowances for defence forces?—A. Yes, sir.

The CHAIRMAN: Do I understand, Mr. Bryce, that you still have in the estimates the details department by department of the figure which comes under this general heading.

The WITNESS: Yes.

Mr. SINCLAIR: Alternatively, all the civilian employees of the Department of National Defence would be shown there in that item 1, Civil salaries and wages?

The WITNESS: In 1, sir; and you will see from the explanatory note there, in the last few lines, that there are certain items of salaries that we have not been able to put there, that we have not been able to dig out. There are some small votes that may provide for salaries under other heads where salaries are relatively unimportant; and the Film Board production and distribution staff salaries are listed under the cost of film production in item 7; and the salaries of those employees of the Canadian Broadcasting Corporation paid out of the moneys voted for international broadcasting are included in the item No. 7.

Mr. RILEY: Do you make provision there to show the deficits of the operations of such things as Crown companies?

The WITNESS: Where funds are provided in the estimates to cover the deficits or other requirements of Crown companies they would be reflected in these figures because, as I say, all the sums provided in the estimates are covered under one heading or another here.

Mr. RILEY: And where they would be appropriated they would be found in item 30 or item 31?

The WITNESS: Some of them are. You will notice there is a table on page 9 of the memorandum there and an explanatory note giving some of the larger items that are included in item 30.

Mr. RILEY: Oh yes.

The WITNESS: Take for instance there the administrative portion of the Canadian Arsenals item, there would be certain salary costs involved in that.

Mr. BLUE: What about surveys, survey parties sent out by the Geological Branch of the Department of Mines and Resources, for instance. Would we find that in item 9?

The WITNESS: No. The reason for that is that in the votes—if you will look at those under mines and technical surveys—you will see that the cost of certain of the employees on survey parties is covered in the general item for survey parties, but we do not know in advance just exactly what that is going to be.

Mr. BROWNE: This Mines and Resources item for technical surveys includes the cost of the survey parties?

The WITNESS: Perhaps not quite, for instance the item of expense. The estimates are made in advance. They cover plans as to the surveys that are to

be undertaken and what it is proposed to do. You cannot tell precisely whom you are going to employ on your survey party or what its precise cost is going to be. You anticipate, in the light of experience, that it is going to cost you let us say \$5,000 or \$7,000, but you cannot tell, let us say, in September the year before just what that cost will be, how much of that \$5,000 or \$7,000 is going to be paid for wages and how much will go for materials, supplies and so forth; but from our experience with survey parties over a number of years in a certain area you can arrive at an approximation of what it is likely to cost. That is an illustration of a case where it is not possible for us to go into too great detail in submitting the estimate.

Mr. BROWNE: You do not insist on being supplied with that?

The WITNESS: We do in the major cases but when you get down to a certain degree it is not worth carrying it any further; and it is not like analyzing the public accounts after the transactions are over; then you know exactly what they are.

Mr. RICHARD: They are small votes.

The WITNESS: Small items within votes.

Mr. SINCLAIR: Is it not also true that in the case of the geological surveys the head of each party is usually a permanent official, and the distribution of his wages would be a different matter from the distribution of the wages paid to university students who would be assisting him, and so on, but all the salaries would be lumped into the cost of the survey?

The WITNESS: Yes sir, that is my understanding.

Mr. BROWNE: Is it true that the head of the survey usually is a permanent employee?

The WITNESS: In most cases, but not necessarily.

Mr. SINCLAIR: You usually have an experienced geologist take the party out and make surveys of that kind.

The CHAIRMAN: Any further questions on item No. 1?

Item 2: *Allowances—civilian.*

By Mr. Drew:

Q. What exactly is that term, Mr. Bryce?—A. Well, sir, it is described in this material here. There are various types of allowances paid for various purposes. In northern Canada, as an example, we pay certain employees allowances because of the difficulties and extra costs of living and working in the north. Many employees get certain allowances for the extra cost of living abroad. Then, the railway mail clerks get a certain mileage allowance in addition to their salary to cover the costs to which they are put because of the nature of their work and because they will be away from home a proportion of the time.

Mr. FRASER: Does this also cover exchange on salaries paid to employees in the states?

The WITNESS: No sir, that would be under No. 1; but that item would include exchange on the allowances paid in foreign countries.

Mr. RILEY: What about this special stenographic allowance?

The WITNESS: That is an allowance that was paid to stenographers over a number of years as an inducement to girls to take training for stenography. For a time they got an allowance over and above their salaries, recommended by the Civil Service Commission for that particular purpose.

Mr. JOHNSTON: Is that being carried on now?

The WITNESS: I think that it was discontinued some months ago.

The CHAIRMAN: Item 3: *Pay and Allowances—Defence forces and R.C.M. Police.*

Mr. FRASER: On this item, does that apply only to persons in uniform? What about the civilian employees of the department, does it apply to them?

The WITNESS: That applies only to those in uniform, members of the forces as distinct from civilians.

Mr. LANGLOIS: You said that civilians were included in No. 1?

The WITNESS: Yes, sir.

Mr. RILEY: What about the R.C.M.P.?

The WITNESS: We had to reduce this to a reasonable number of items and we just grouped them because their pay and allowances are in many respects similar in nature to those in the armed services. I should point out, that, of course, this grouping here by objects of expenditure was not intended to reflect the purpose for which the expenditure is concerned but only the type of expenditure itself concerned.

Mr. LANGLOIS: What about these other fellows we see around in uniform who are apparently working in government buildings, they do not belong to the R.C.M.P. and they do not belong to the army, they are, what do you call them—

The WITNESS: You refer to the Corps of Commissionaires?

Mr. LANGLOIS: Yes.

The WITNESS: They are included in item No. 4.

Mr. RICHARD: They are not members of the forces and they are not public servants either, are they?

The WITNESS: No.

Mr. FRASER: Do you make an adjustment in that for payments you receive from the provinces for services supplied by the R.C.M. Police?

The WITNESS: That is not shown there but it is credited to revenue.

Mr. JOHNSTON: As I understand the arrangement the dominion pays the entire expense of the R.C.M. Police and the provinces reimburse the federal government?

The WITNESS: Yes, sir.

By Mr. Robinson:

Q. What about travelling allowances for army personnel? Would that appear in item 3 or item 5?—A. I think, sir, if it is a per diem allowance for travel particularly it would appear in item No. 5.

Q. What about warrants issued to members of the forces for travelling?—A. I think that would appear in item 5 also, sir.

Q. It is covered by 5?—A. It should be, sir.

Q. But you are not sure about that?—A. I am pretty sure that is where it is. I cannot think of anywhere else it would be.

Mr. THATCHER: Where would you look for let us say nurses employed in the veterans hospitals, would that not come under some item like No. 19 or No. 20?

The WITNESS: We are trying here to select the types of payment and we have tried to group in this item all those who are paid in the form of professional fees.

Mr. RILEY: What about Crown Company deficits and so on, would that be in this item?

The WITNESS: They would probably be on their own, sir; they are in theory self-financing I believe.

By Mr. Thatcher:

Q. Can you tell me how much of that is for legal services?—A. I am sorry I cannot tell you that without making further investigation.

Q. There is an item there for accounting, what kind of service would that be?—A. That would be where a department might retain an accountant to examine the accounts of a company, perhaps, which was fulfilling a contract or something where certain information might be required and the Comptroller of the Treasury would retain an outside accountant on a fee basis. That is what would appear here.

Mr. MACDONNELL: Would that include the people who came in to examine the Film Board?

The WITNESS: If that had been specifically provided for in the estimates that is where it would appear, sir; but I do not believe that it was anticipated at the time last year's estimates were made up so I would not like to say that it was in there.

By Mr. Thatcher:

Q. That item 4, Mr. Bryce, is largely a grouping of technical services items and I see it includes a considerable amount for legal fees; would there not be the possibility of making a considerable saving by using lawyers in the Department of Justice more extensively and using outside services to a lesser extent; I mean, is that possible or it is not?—A. That is a fairly detailed question, sir, and I hesitate to express an opinion on it. Naturally the Treasury wants to see use made of our own staff rather than incur extra expense in the hiring of outside staff.

Q. It would look as though there were quite a substantial amount, over a million dollars paid for legal services; isn't there a possibility that we might be able to use some of our own lawyers for that work?—A. I hesitate to express an opinion offhand on that.

Mr. RICHARD: The Department of Justice deal principally with government work but there are a lot of cases in which the government has to retain outside counsel to conduct special cases for them; and at the salaries they pay they can hardly expect their staff men to take on work of the kind involved.

Mr. THATCHER: It occurred to me that that might be a chance where some economy could be made.

The WITNESS: These are by no means all legal fees. There are large fees for example on various kinds of engineering work.

Mr. LANGLOIS: I see here you have a division under the heading of accounting, that would cover accountants whose services were required, for example in connection with the work of the Prices Committee?

The WITNESS: If there was a special provision made for it in the estimates; but, again, that amount may not have been known when the estimate was prepared. As I pointed out earlier, this has not been made up, these figures have not been based on the records of expenditures but rather from the plans for the estimates.

The CHAIRMAN: Item No. 5. *Travelling and Transportation Expenses.*

By Mr. Fraser:

Q. In this item, Mr. Bryce, would this cover let us say the trip of the Minister of External Affairs to Ceylon?—A. Yes sir, it should cover that.

Q. Well then, how do you show the \$16,000 cost—that works out at about \$1 per mile—and I see that External Affairs only paid one-half of that \$16,000; what do you do with the other \$8,000 balance?—A. I assume, sir—I do not have knowledge of the details of that transaction—I assume that the total cost of operating the plane was borne in the first instance by the R.C.A.F. and that the Department of External Affairs reimbursed them for the agreed portion of it.

Q. Do the other departments do the same thing in connection with accounts of this kind?—A. We have in a few places provided in the estimates for the reimbursement by one department to another in the case of an operation of that general nature but we do not have any special categories in our votes for that.

Q. What I am getting at is this: take the Prime Minister's travelling expenses and his private car, would you have a special account for that?

The CHAIRMAN: You mean is there any provision made in the estimates for that? We are on the estimates, not on the public accounts. We will have the experts here to tell us about that later on.

Mr. FRASER: I am asking this question on the estimates, I want to know if there is an item for that in here.

Mr. LANGLOIS: But you are dealing with public accounts.

Mr. FRASER: No, with estimates.

The CHAIRMAN: Let us see if there is an item covering that.

Mr. FRASER: That is what I am interested in and I do not seem to be able to find it.

The WITNESS: In vote No. 487 under Transport you will find specific provision for expenditures in connection with the operation of special railway cars which come under the jurisdiction of the department.

Mr. FRASER: Did you say in vote 487?

The WITNESS: Yes, and the breakdown of that in detail is on page 297.

By Mr. Thatcher:

Q. I wonder if Mr. Bryce could say how the various travelling allowances are determined; I mean, are there fixed rates for army officials or fixed rates for civil servants; are they given so much per day?—A. It varies, sir, as between the different services. Are you speaking of civil servants or army personnel? The ordinary civil servant is reimbursed for his expenditures.

Q. For his actual expenses?—A. For actual expenses if they appear reasonable; and in the case of the armed services, they usually have per diem rates for most of their personnel.

Q. Mr. Bryce, just looking at this figure, would you not think that very substantial? The reason I ask that is this, I have noticed since I have come here, which is not so very long ago, that when some of our officials come here to Ottawa they go to the Chateau and sometimes they have one room or they may have a whole suite. There may be some reason for that. If they want to live in luxury of that kind that is their privilege but I wonder if the taxpayer should be paying for it.

Mr. RICHARD: I understand that would be contrary to regulations and instructions.

Mr. MACDONNELL: Do you know of any cases of that kind?

Mr. THATCHER: I am not going to name any special instances because it is their privilege. I notice from time to time when they have occasion to go across the country they all have the best drawing rooms. That may be necessary, but you have got hundreds of thousands of people who are travelling and they all do that and it seems to me quite a bit of money could be saved in that respect. And another thing, if a civil servant or some high army official wants a dinner

I think it should be paid for, but I think if he wants to order a dinner in his suite of rooms at \$10 or something of that order, then I do not think the taxpayer should be charged for that and there should be some check on that; and I was just wondering from what I have seen around Ottawa whether you do have a check on that.

The WITNESS: I should perhaps point out first that for the civil servants there are quite elaborate travel regulations under which their payments are subject to very careful scrutiny; the regulations are passed by order in council and cover many types of cases; and certainly they do not contemplate a civil servant having a suite of rooms at hotels or using drawing rooms and such on trains.

Mr. THATCHER: Are there any suites down here in the Chateau which are permanently reserved for civil servants?

The WITNESS: Not to my knowledge.

Mr. RICHARD: My understanding is that these civil servants are limited to a certain amount of money every day.

Mr. THATCHER: Then am I to take it that if they occupied a suite they would have to pay the bill themselves?

Mr. RICHARD: I understand they are subject to regulation.

The WITNESS: The regulations do not contain the specific limitations as to the amounts, but any department may impose its own limitations on their own people with respect to travelling expenses.

The CHAIRMAN: May I interject just one word? In my experience in the Department of Justice as private secretary, I was limited in my expenses to paying \$5 a day for a room. This limitation was not put on by a government regulation, it was a rule of the Department of Justice. Breakfast was not to cost more than a dollar at that time—that was over twelve years ago—and luncheon was not to cost more than \$1.25 and dinner not more than \$1.50. I was not allowed anything for tips or for a porter or redcap to carry my bags. If I did pay these items I had to pay them out of my own pocket. If I took a suite anywhere I would pay the balance myself.

Mr. DREW: Is there any such limitation as that at the present time?

The WITNESS: I could not say what the limitations are in individual departments.

Mr. RILEY: Is it not true that an expense account is submitted to close scrutiny by the Treasury Board?

The WITNESS: The expense accounts must first be examined and recommended by a responsible officer of the department concerned, where they may impose whatever limitations they see fit to impose. They are then passed to Treasury officers who see to it that the accounts are in accordance with travel regulations or such other general policies as are laid down. So, you see, they have to conform with both the departmental direction and the travel regulations.

By Mr. Johnston:

Q. Is there any schedule of travelling expenses?—A. We have not done that with civilians, although we gave it considerable study, because once you set a schedule you may later have to take into account unusual circumstances in certain cases that do not fit within that schedule. It is quite different from the ordinary problem if you have one of the directors of the Department of Trade and Commerce going to Washington for a day or two. He may have to live at an expensive hotel there and incur taxi fares and such getting to and from meetings.

Q. The reason I asked that is that the chairman indicated when he was with the Department of Justice a certain schedule was allotted.—A. That is according to the directions of the department.

Q. Does a department have a schedule?—A. Some departments may have even elaborate schedules that apply to the types of trip or types of problem involved.

Mr. THATCHER: Is that not one item where we might get down to something tangible and set up standard travelling expense allowances? I am convinced that some of these travelling expenses are running wild.

The CHAIRMAN: Would you supply us with your categories of people whose travelling allowances could be standardized?

Mr. THATCHER: I do not presume to tell you how that could be done, but some kind of standards could be set up, and I think that is a reasonable request that could lead to some economy.

Mr. SINCLAIR: I would like to add a few words about that. I do not know of any civil servant who has travelled in recent years who has not lost money in doing so. I was over to Europe recently and I was accompanied by a staff officer of the Department of Finance. For every single item of expenditure he made he had to have a receipt.

Mr. THATCHER: That is as it should be.

Mr. SINCLAIR: Yes. But in more than one country that we were in we could stay only in the allotted hotel in that country. Meals cost from \$8 to \$12 a piece, and the only way this civil servant could protect himself was to actually take home menus to show that in this hotel he had to pay that amount for meals. In that same country unless you had a ration card, you could not buy food in the stores.

Mr. THATCHER: That is an exceptional case.

Mr. SINCLAIR: More than that, I have also come in contact again and again with civil servants who have gone on trips—and that is the second point, there is an attitude prevailing that civil servants like to go on these trips. I would compare that to members of parliament who might like to do a lot of travelling on their passes but this only lasts for about three or four months and from then on they actually do a minimum of travelling. I think the same is true about civil servants. They are not overpaid and when one submits his expense account there are many times when the accounts are turned back and money is lost on them. Certainly, the reaction in our department—it may be that being the Finance Department, we have to be more rigid than in other Departments—but there is a real dislike of going on these trips because of that. The system used in our department is the system detailed by Mr. Bryce that a civil servant returning home will submit a list of every item, what each meal costs and the cost of the hotel room. This is submitted to his own department and from there it goes to the Treasury for scrutiny. I think it is a most unfortunate thing for the member from Moose Jaw to suggest—I know he is living in the Chateau Laurier himself—that civil servants are living in the Chateau Laurier at government expense.

Mr. THATCHER: I am not there at the government's expense.

Mr. SINCLAIR: The government gives you an expense allowance of \$2,000 a year, tax free to cover that.

Mr. THATCHER: I cannot afford to buy a house in Ottawa as the parliamentary assistant has done.

Mr. SINCLAIR: I think it is most unfortunate that the member for Moose Jaw should try to give the impression today that our civil servants are living

in great suites at the Chateau Laurier and wining and dining at \$10 a meal. I think he should name these civil servants if he knows of any.

Mr. DREW: Let us stop this nonsense right away. We are meeting here for suggestions on how to improve the estimates and I do not think any questions that are asked should be considered to have a sinister motive behind them. If that is to be the attitude here this committee might just as well stop meeting right now. The remark made by the parliamentary assistant is improper. We have a right to ask questions without any motive being imputed to them.

The CHAIRMAN: We have never denied anybody the right to ask questions. The parliamentary assistant expressed the thought that casting aspersions was not the thing to do.

Mr. THATCHER: At the outset I said I was not naming any civil servants. Mr. Chairman, I am here to try to get information. Maybe what the parliamentary assistant says is correct in 99 per cent of the cases of civil servants, but I say that the taxpayers of Canada should be protected and that there should be standard travelling forms for the one per cent who may be taking advantage of things.

The CHAIRMAN: We all agree with that.

Mr. LANGLOIS: In this example you gave, Mr. Thatcher, without mentioning any names, of civil servants staying at the Chateau Laurier, are you sure that their expenses are being paid by the government of Canada? We have newspaper men here reporting these proceedings and there will be newspaper reports on them, and I think for that reason this should be made clear immediately.

Mr. DREW: Mr. Chairman—

Mr. LANGLOIS: I would like Mr. Thatcher to answer that question.

Mr. THATCHER: I would like to make an investigation.

Mr. LANGLOIS: So you are not sure.

Mr. THATCHER: I am not sure but I have reason to believe that they are paid by the taxpayers.

Mr. DREW: Let us look at the situation. There are surely no aspersions cast on the members of the civil service if a question is asked with regard to a particular thing. We must remember by what has already been stated here that there are a great many people being employed who are not members of the civil service and there was nothing in the impression right or wrong that might relate in a single case to a member of the civil service. To combat this, the memorandum shows there are people here covered in the item for professional and special services which amounts to \$17,258,000. Those people stay somewhere and if there are any provisions at all it may well be there are some provisions for those people who are employed under special circumstances of that kind. I am not holding a brief for one member or the other, but I do think if a question is asked in regard to it, it should relate to a particular thing, and the question should relate back to item No. 4, professional and special services and I ask Mr. Bryce if those who are employed in that way, such as lawyers, accountants and others would come under the same provisions as civil servants if they were staying at the Chateau Laurier or any other hotel?

The WITNESS: I may say that members of royal commissions and such get on occasion their travelling and living expenses. The circumstances will differ from case to case, however. Sometimes they get a per diem allowance to cover their expenses and, if they get that, where they stay is up to them. They will bear whatever cost is involved. In other cases, they may submit their expenses in accordance with the normal regulations.

The CHAIRMAN: Could you tell us what those per diem allowances amount to, generally?

The WITNESS: They vary considerably with the nature of the commission but it is quite true there are a great many of these people who may be reimbursed their expenses or given a per diem allowance.

Mr. JOHNSTON: What is the variation in these per diem allowances? Do they vary from \$5 to \$75 per day?

The WITNESS: I would hesitate to say what they are, but for judges serving as chairmen of conciliation boards they may run up to \$40 or \$50 a day.

Mr. THATCHER: Living expenses?

The WITNESS: Covering all their living. I should point that when a man is paid so much per day, that is fully taxable under the income tax law.

Mr. STEWART: He has the right to show his expenses against that amount?

The WITNESS: It depends, sometimes.

Mr. LANGLOIS: Let the expert answer.

The WITNESS: The expenses are sometimes accountable up to a set amount and in other cases they are not accountable. Where it is not accountable, and it is a per diem rate then it is taxable.

By Mr. Stewart:

Q. Let me understand this a moment: suppose I were acting on a royal commission and got \$25 a day allowance, I would be taxable subject to a deduction of the expenses?—A. No, sir, if you are allowed your actual expenses not to exceed \$25 it is not taxable. But if you get \$25 a day and there is no limitation of the amount to the costs actually incurred and accounted for then that \$25 a day is taxable under the Income Tax Act.

Mr. FRASER: It is just a case of the wording is it not?

The WITNESS: That is right, it is the wording and substance of the arrangement.

By Mr. Thatcher:

Q. What would the rate be for judges?—A. It is not uniform. There is a rate for judges under the Judges Act, specified by statute, and I think where it is covered by statute it is not taxable.

Q. I do not know whether I should put a motion or not but can we get from the pertinent officer information as to the travelling regulations existing in the various departments today and then we can determine if it is feasible or not to standardize them.

Should I make a motion to that effect?

The CHAIRMAN: We will bring before the committee whichever official you want.

Mr. THATCHER: I do not know which one is the pertinent one.

The CHAIRMAN: What information do you want to get?

Mr. THATCHER: Someone to give us the regulations in each department as to travelling expenses.

The CHAIRMAN: We will pursue that and bring the proper official before us.

Mr. LANGLOIS: All these travelling expenses are subject to the treasury's approval.

Mr. MACDONNELL: In these cases of special allowances, are a man and wife regarded as one from the point of view of travelling expenses?

The WITNESS: It only covers the man.

The CHAIRMAN: Any further questions on travelling and transportation expenses?

By Mr. Fraser:

Q. On these travelling expenses, I cannot find any place a breakdown of what cabinet ministers or anyone else spends on travel?—A. That is in the public accounts. It is the usual thing in the public accounts to show travelling expenses.

Q. But it just gives a lump sum for the whole department?—A. No. For instance, if you look in the public accounts for this past year at page M-66, you will see the travelling expenses for the various employees of the Lands and Development Service Branches. You will see there a list of travelling expenses paid or reimbursed to each individual.

Q. Yes, but that does not cover ministers?—A. Well, if you would find the item that is appropriate to the minister—

The CHAIRMAN: Again, we are drifting to the public accounts. You must remember we are dealing with estimates.

By Mr. Fraser:

Q. All right then, where is it in the estimates?—A. In the estimates, normally in the departmental administration items there would be provisions for travelling expenses of employees covered by that vote and the minister.

Q. That is all lumped?—A. It would be lumped.

Q. That is what I was trying to find out. How can we "unlump" it?

The CHAIRMAN: We find out after it is spent.

The WITNESS: They cannot say in advance what travelling expenses are going to be in detail. They make a reasonable forecast.

Mr. STEWART: On page M-10 in public accounts, we see an item there, Hon. J. A. Glen, travelling expenses \$500 and Hon. J. A. MacKinnon, travelling expenses \$2,075.

Mr. CAVERS: The same thing appears in J-4.

The CHAIRMAN: Any further questions on the item travelling and transportation expenses?

Mr. DREW: Just to round that out. The question seemed to be directed in an attempt to find out some way in which there could actually be an effective supervision of travelling and transportation expenses and to give some knowledge to the members of parliament as to whether it is being exercised. With that in mind would it not seem to be a good business arrangement to have a uniform standard of supervision of travelling and transportation expenses which would apply to every department?

The WITNESS: Well, sir, we have these uniform regulations but when you are judging what is reasonable it is necessary to exercise a discretion which we decentralize to the department. It is not exercised centrally because it is an enormous operation. There are thousands of civil servants travelling each week.

Mr. THATCHER: That is the point.

The WITNESS: It is necessary for some one in each case to decide what is reasonable in the circumstances there.

By Mr. Macdonnell:

Q. With regard to special cases.—A. That is right. But it may be that for the large numbers of agriculture inspectors, fisheries inspectors and guardians and people of that sort you can have uniform regulations, and I think the departments normally set uniform standards. But if we set a standard high

enough to make it possible for travel in certain circumstances we might set a figure that might be a target to which one might work up. We have to be careful of that sort of thing in order to avoid setting a standard that permits more certain circumstances than is justified.

By Mr. Drew:

Q. During the last fiscal year, by way of illustration, can you recall any particular case where travelling expenses presented to the Department of Finance by any department have been reduced?—A. The comptroller of the treasury would have presented to his treasury officers working with the various departments thousands and thousands of accounts and I have no doubt quite a considerable portion of them might be reduced in one or more particulars.

Q. Can you speak of any now?—A. Well sir, I am not responsible for the normal scrutiny of these, that is the duty of Mr. McIntyre, the comptroller of the treasury, whose officers audit these accounts before payment. Now, there come to the Treasury Board occasionally some special problems or special cases that do not fall under the regulations and it is necessary for the ministers to consider if the circumstances justify authorizing certain exceptional expenses.

The CHAIRMAN: I think the comptroller of the treasury should be the person to answer that.

Mr. FRASER: I was told to look on page M-10.

The CHAIRMAN: We are still on estimates.

Mr. FRASER: We are still on estimates. Referring to External Affairs it does not show any travelling expenses in the public accounts.

The CHAIRMAN: We are not dealing with that. We are dealing with the proposition to submit to parliament a functional classification of estimates as suggested by Mr. Drew. When we get to public accounts, you can ask any question you want.

Mr. THATCHER: It seems to me Mr. Bryce made a very significant statement when he said thousands of civil servants are travelling, and it seems to me that for that very reason it becomes necessary to have standard travelling forms set up. I would like to ask Mr. Bryce whether the Canadian National Railways or the Canadian Pacific Railway make any concessions to civil servants who are travelling. Do they get a rate or do they pay the full fare?

The WITNESS: I do not know of any concessions but there may be some in some instances that I would not know of.

The CHAIRMAN: Is it in order to proceed to item No. 6?

Mr. BROWNE: Are passes issued to civil servants charged up to government?

The WITNESS: There are few civil servants who get passes.

The CHAIRMAN: Passes to members, Mr. Browne, are issued under the Railway Act as of right and they are not charged to any department of the government.

Mr. BLUE: Does that apply to members' wives?

The CHAIRMAN: These are courtesy passes issued free of charge by the railways.

Mr. FRASER: Suppose that a man in my town would get a warrant of the department to the railway company for his ticket. The department does not buy the ticket?

The WITNESS: I believe the normal practice for civil servants is that they purchase the tickets and are reimbursed, or they get a cash advance and have to account for the advance. I think warrants were used by the service personnel, not for civil servants.

Q. I thought that in the different departments there was just a slip issued that had to be presented to get transportation?—A. There may be in some cases. I would not know about the mechanics of that.

The CHAIRMAN: Are the members satisfied on this item for the moment, pending Mr. Thatcher's request to question the comptroller of the treasury?

Mr. FRASER: I would not say satisfied.

Mr. LANGLOIS: We do not expect that.

The CHAIRMAN: Item No. 6: "Materials and Supplies."

By Mr. Drew:

Q. Under materials and supplies which reached an estimated total in the coming year of \$76,500,000, has any consideration been given to the advisability or otherwise of having one central purchasing agency for all supplies of this kind?—A. I know the matter has been considered at one time or another but I would not be able to say what is in the government's mind.

Q. I understand you cannot discuss matters of policy, but the matter has been given consideration, has it?—A. It has at various times but I could not tell you when it was last under consideration by the government because I might not know.

Q. At any rate at the present time there is no central purchasing agency to deal with supplies of this kind?—A. The King's Printer acts as a central purchasing agency for the type of supplies specified in the appropriate statute. The Canadian Commercial Corporation, of course, is the purchasing agent for the Defence Department.

Mr. MACDONNELL: And was that done mainly because of the huge amount of war expenditures? Wasn't that the reason?

The CHAIRMAN: That is also a question of policy.

Mr. MACDONNELL: I assume it did, as a matter of fact.

Mr. LANGLOIS: I was referring to the C.C.C.

The WITNESS: That emerged out of Munitions and Supply, then Reconstruction and Supply purchasing function.

Mr. LANGLOIS: What Mr. Drew was referring to, as I understand it, was a central purchasing agency similar in nature to the Canadian Commercial Corporation.

Mr. DREW: No. In the case of large corporations, whether public or private you usually have a purchasing department. The Canadian National Railways for instance, has a purchasing department and so does the Canadian Pacific Railway, and each has a vice president in charge. I do not know of any industrial or other enterprise which has not a separate purchasing department with an official in charge of it. I was wondering if that might not be a sound procedure for the business of government.

The WITNESS: That is the case, of course, in our larger departments where they have such purchasing departments.

Mr. LANGLOIS: That is the case in Public Works, but I do not know where you have these purchasing departments.

The CHAIRMAN: It means the pooling of all your purchasing under one agency.

Mr. DREW: Let me elaborate my point. For instance, you have the Department of Public Works. You have a purchasing agency or branch within that department. In the case of National Defence, buildings, for instance, of a very similar nature are built there but whatever purchasing was done would be done in that department, so in that case the materials purchased would be

precisely the same materials; or it might be the Department of National Health and Welfare who would be building a hospital or a building of that kind; or it might be the case of the Department of Agriculture if they were building various buildings; my point, Mr. Bryce, is, as I understand it at the present time, that while there may be purchasing done through the purchasing unit within the department, supplies of precisely the same kind would be bought by separate departments without any attempt to centralize that purchasing as would be the case in large business organizations.

The WITNESS: With the exception of the Printing Bureau there is no case of supplies being bought by a central purchasing agency to my knowledge.

Mr. LANGLOIS: In the case of the Department of National Defence, to develop this a little further, all purchases for them are made by the Canadian Commercial Corporation; isn't that the fact?

The WITNESS: Again, subject to those items dealt with by the King's Printer.

Mr. LANGLOIS: Yes, but that is the only exception.

Mr. THATCHER: I would like to subscribe to the theory which Mr. Drew has put forward. In the province of Saskatchewan they have done exactly that, they have one central purchasing board, and they have found that they have saved thousands of dollars through that method of purchasing and using central stores. And, I have in mind what Mr. Sellar said when he was before us the other day, when he showed where \$12,000 had been missed in cash discounts. I think a central purchasing agency for the whole of the Dominion of Canada might result in saving the taxpayer a good deal of money and I would certainly approve of that.

The CHAIRMAN: But bear in mind the fact that Mr. Sellar also pointed out that the reason why that amount of cash discounts was missed was because of the length of time it took to check the materials and deliveries, that that took so much time that by the time the reports got in the discount date had passed. I do not know myself that a central purchasing agency could do it in any less time than it is now being done by the departments.

Mr. THATCHER: Mr. Chairman, I think if the government of Canada were to do that—were to put in a central purchasing agency—they would be able to buy in volume through wholesalers, and they would be able to take advantage of special discounts and get materials generally at a lower cost than is possible under the present arrangement. I feel that the suggestion is a good one.

Mr. LANGLOIS: The C.C.C. seems to be doing a pretty good job for the Department of National Defence and I think a central purchasing agency for all departments would have a good deal of merit.

The CHAIRMAN: That would involve the necessity of long term planning—

Mr. LANGLOIS: But they could take advantage of buying in volume.

The CHAIRMAN: —and the materials would have to be distributed from that central agency; there would be necessarily the need for inspection and that would take some time. If you allowed for the time taken up by inspection and the sending of reports to Ottawa to the central purchasing agency you would find that it would take quite a little bit of time to check up. Mr. Sellar made particular reference to that point, and in that respect the present method was not entirely satisfactory, and that was the principal reason why these discounts were not taken advantage of. It is not exactly the same thing for a commercial company.

Mr. BROWNE: We have had a central department of supply set up in Newfoundland. I don't know just how it is doing now, but I do know that they

have a centralized purchasing service. But one thing which does occur to me, if we instituted a central purchasing agency, is that there are many times when you want to buy supplies immediately at the point where the work is being done—let us say a pound of nails or something like that—and that would have to go through your central purchasing agency. One result of that would be to create a lot of ill-will among your local merchants who would find themselves at a decided disadvantage. There are times when you have to leave things of that kind to decision on the spot and to good judgment of the parties concerned.

The CHAIRMAN: Are there any further questions on materials and supplies?

Mr. DREW: Just on that particular point I would point out that whether it is paid by the department concerned or paid by the central purchasing agency does not change the effect of the value of the central purchasing service in any way. There could still be provision for local purposes to meet local needs. Would not that be so, Mr. Bryce?

The WITNESS: I think so, sir.

Mr. LANGLOIS: But through this central purchasing agency the value of your service would depend on purchase in volume and your volume would be such that you could go direct to the manufacturers. Would not that have this effect, that it would take away a lot of trade from local stores and you would have a lot of complaints from them?

Mr. THATCHER: No, not necessarily. All the way from St. John's to Vancouver you have your wholesalers, and as long as your central agency is doing the buying all they have to do is to send the order on to the point at which delivery is required.

Mr. LANGLOIS: That may be true, that you have wholesalers who can supply you from any point in Canada, but you still have the complaint which you now get, which is that all this buying is done in Ontario.

Mr. THATCHER: Not necessarily.

Mr. LANGLOIS: That was Mr. Browne's objection as I understood it.

Mr. BROWNE: Yes, the difficulty would be that you would not be able to purchase your supplies locally and that would prejudice the local tradesmen.

Mr. SINCLAIR: What it amounts to is this. Take the case of my constituency where we have a large number of public works including wharves and bridges. Suppose you need an immediate repair to a wharf or a bridge, what are you going to do? Are you going to wait until you get authority from Ottawa to buy the supplies then go ahead and make the repairs, or are you going to make your purchases locally and proceed with the repairs immediately? If you had a central purchasing agency you would have to clear your requisitions through the central agency here at Ottawa and you would have to wait until you got your authority and do whatever they directed—you might have to wait for them to have the supplies delivered to you, or they might in some cases direct you to make the purchases locally. I think the net result would be that you would be building up another bureaucracy here, as Mr. Browne points out, which would provide jobs for a lot of people but not expedite the doing of the work.

Mr. THATCHER: It might be a good thing to establish a number of divisional agencies working under the control of the central office.

Mr. SINCLAIR: Well, they would have to clear that through the central authority, the local engineer would not have the power to tell you to go ahead. As it is now we have to go to the local engineer at New Westminster, he is the representative of the Public Works Department, and he functions as purchasing agent. It seems to me the net result would be an excessive centralization through which it would be very difficult to get effective action.

Mr. THATCHER: I would say that I agree with Mr. Drew's suggestion in principle, and as I understand it this central purchasing agency would function efficiently and I think it would be able to effect considerable economies. I think we are just befogging the issue with the suggestion with respect to the purchase of a pound of nails or something of that kind in Vancouver and having to wait for authority to make the purchase. I think you would have a saving in such an arrangement as Mr. Drew suggests. Take lumber, for instance.

Mr. PRUDHAM: Are you going to stockpile lumber, for instance, in Ottawa for distribution across Canada?

Mr. THATCHER: I didn't say that at all, but I do suggest that if you had a central purchasing agency you might be able to buy your lumber effectively by being able to buy it in volume.

The CHAIRMAN: I think lumber was a poorly chosen subject.

Mr. LANGLOIS: It is a good example.

The CHAIRMAN: But it is one which is difficult to deal with.

Mr. DREW: After all, we are asking the witness for information. I do not suppose we can reach a decision right off. I think it would be unfortunate if we got confused in our minds as to what would be implied in this; because, after all, the existence of a purchasing department in the Canadian National Railways under a single purchasing official does not mean that if they bought lumber in one place they would stockpile it, let us say in Montreal at the head office; the point is that in buying their local requirements or otherwise they deal with that with an experienced department, and whether they are buying lumber or anything else, in the ordinary course of events they will make the particular purchase at whatever point in the country they regard as being suitable; but they have the advantage of becoming experts in that one particular job; and that would not, of course, mean that they would do a lot of stockpiling at one central point.

Mr. LANGLOIS: I believe this whole discussion is out of order, Mr. Chairman. I think the C.N.R. is a very poor example because they can purchase their supplies anywhere they want to and they have their own transportation facilities for delivery, they would carry their own goods. For that reason I do not think the comparison should be made. When you are discussing the transactions of various departments of government you have to bear in mind the fact that many of them operate in outlying districts where there are no communications whatever while the C.N.R., for instance, can buy lumber in Montreal and can deliver it on their own cars to any point let us say in New Brunswick or out west, where it is wanted; they have their own means of transportation.

Mr. JOHNSTON: If they do it by provinces why can't they do it for the federal government? They do it by provinces, and by doing it they make savings. Alberta has its marketing board and Saskatchewan has one, and they must be working out satisfactorily because they are still in operation. I do not see any great difficulty; if it can be done by the provinces it seems to me that we ought to apply the same principle here that has worked out so beneficially for the provinces.

Mr. LANGLOIS: I do not know how that works out but I do know what the reaction is to the operations of the Canadian Commercial Corporation. There are many people, the smaller producers in the various parts of the country, who complain that everything that is bought comes from Ontario. That is causing a lot of concern and they resent it.

Mr. PRUDHAM: I would just like to ask if the proposed central buying agency has any advantage over the common practice of calling for tenders

when certain services are required? Does it not ensure the lowest price and the greatest efficiency the system of calling for tenders? I would say that perhaps there are twenty departments engaged in buying goods and services. Someone has suggested that the provinces use organizations for their purchases. They are local agencies. The system of calling for tenders in my opinion is just as efficient and economical as any cumbersome buying agency which of necessity would require the employment of a large number of civil servants to operate it.

The CHAIRMAN: Now, gentlemen, I suggest that this whole discussion is entirely out of order.

Mr. FRASER: A great deal is being done without the calling of tenders by government departments.

The CHAIRMAN: I am sorry, we will have to call a halt to this, we have been out of order for some little time now.

Mr. THATCHER: Mr. Chairman, on a point of order—

The CHAIRMAN: We are out of order.

Mr. THATCHER: On a point of order, Mr. Chairman: The government has been asking for suggestions as to how to save money. Every time we suggest something the government members seem to take exception.

The CHAIRMAN: No, that is not the point at all.

Mr. THATCHER: Some of us have ideas and we want to give them to see if they are any good.

The CHAIRMAN: When we are on public accounts is the place to do that. At the moment we are considering the advisability of adopting a suggestion made by Mr. Drew of having in the estimates a provision for a summary of functional votes, an arrangement of votes according to a functional classification. We have just received a brief from an officer of the government giving us the classification that had already been considered in the Department of Finance. We should continue our study on that point to see whether it is advisable or not, and whether or not we should make such a recommendation to parliament; but if we are going to open the discussion wide to a consideration of other items we are not going to be able to complete our study of this submission. It seems to me now that we are getting more on to items in the public accounts and going into questions of policy. In doing that I maintain that we have been out of order, and that we should limit our activities at this moment to a consideration of the material now before us, otherwise we will be here for a very long time.

Mr. LANGLOIS: Speaking to the point of order, Mr. Chairman, I am very much amazed to hear Mr. Thatcher making the objection he did because he was the one who referred to a study of the explanatory notes. His motion was that we confine ourselves to a study of this brief.

Mr. THATCHER: All right then, Mr. Chairman, that is what we are doing.

The CHAIRMAN: Certainly not.

Mr. THATCHER: As I understand the work of this committee, if we had some ideas which we think were of some value they should be presented while we are discussing this material.

The CHAIRMAN: We have before us the matter of deciding whether we would concentrate our attention on the report of the Auditor General or proceed with the study of the public accounts and we decided that we would deal first with the report of the Auditor General so that we would be in a position to make a recommendation to the minister.

Mr. THATCHER: Mr. Chairman, every time an opposition member suggests some way of saving money some Liberal member takes exception.

The CHAIRMAN: No, no.

Mr. LANGLOIS: On a point of order, Mr. Chairman; the statement just made by Mr. Thatcher is one I think which imputes motives to the Liberal members of this committee, and I suggest that it should be withdrawn. I do not for a moment accept the suggestion that we are restricting discussion of these things.

Mr. THATCHER: That is right.

The CHAIRMAN: I had to stop Mr. Fraser from going into a discussion of items in the public accounts and I hope I will not have to do the same with other members, because I cannot differentiate between members on a matter of that kind.

Now, gentlemen, shall we proceed with the next item:

"Publicity, Films, Broadcasting and Advertising."

By Mr. Drew:

Q. Well now, I would like to understand just what this covers. I think that is important so that we can have an intelligent appreciation of what is involved. We have this item 7 dealing with publicity and advertising and so on, and then in item 10 (a) we have printing and stationery, and I would like to know just where the division line is to be drawn. For instance, I have in mind such a thing as the paper on which this statement is mimeographed; does that come out of materials and supplies, printing and stationery, or out of publicity, films, broadcasting and advertising?—A. That would be under printing and stationery. The paper would be stationery. Stationery is a special type of supply. It has not been segregated any further than that.

Q. Yes, I just wanted to be clear on it.—A. You will appreciate there is a problem in the segregation of the items between 7 and 10 (a) on printing.

By Mr. Riley:

Q. With respect to these items, informational and educational bulletins, pamphlets and other publications, is there not some recovery from these, from the sale of them, the recovery of funds?—A. Yes, sir, and those funds go into revenue.

Mr. FRASER: But, Mr. Chairman, that revenue is extremely small, is it not?

The WITNESS: It depends; in some cases it may be substantial; take, for example, the sales of the Canada Year Book.

By Mr. Fraser:

Q. All recoveries are included in that?—A. Yes.

Q. Including agricultural booklets and pamphlets?—A. Yes.

Q. Those for which they charge 25 cents and 50 cents?—A. Yes, I think so.

Q. But that would not amount to very much, that would not be a very substantial item?—A. It may be substantial in relation to the cost of printing the publication in some particular instances, such as the Canada Year Book.

Q. The Canada Year Book?—A. Yes, but I would not like to generalize without studying the matter.

Q. Could you give us the figures on the Canada Year Book?—A. No, I am sorry I cannot from memory.

Q. And what about films, that item covers what films?—A. That would cover the cost of the films that are provided for in the estimates of the various departments who will have films produced for them. It will also cover the cost of the films produced by the National Film Board itself for distribution in their regular channels.

Q. Then, it covers all of the National Film Board films?—A. I believe it does, sir; we have tried to put them all in.

Mr. FRASER: Does it cover the departmental annual reports?

The WITNESS: We had to try to decide, sir, what we should include in printing and what we should include under this heading. We found that it was hard to classify parliamentary papers under this heading, and the question which arose in our mind was this, whether an annual report that is required by statute to be submitted to parliament should be considered as a parliamentary paper or whether it should be put in here. That is an indication of the types of problem that cause difficulties.

Mr. MACDONNELL: Yes.

By Mr. Fraser:

Q. And then, Mr. Chairman, the broadcasting—the whole of the CBC set-up is included in this?—A. This refers to the international broadcasting services of the C.B.C.

Q. The international, that is the short wave?—A. The short wave stations; their cost of operation and maintenance is in that; but that would not include the cost of constructing the new C.B.C. building in Montreal—which would be provided for in the building and works item below.

Q. Why do you divide the international from the— —A. Domestic?

Q. Yes.—A. The domestic C.B.C. is not financed by votes from parliament, so the only problem that arose there was I believe in regard to last year when there was a provision in the supplementary estimates to reimburse the C.B.C. for certain costs incurred in Newfoundland in taking over the services there.

Q. Can you tell us how much that involved?—A. I am sorry, I can't give you that figure offhand.

Q. It would not show in this report?—A. It would show under one heading or another but I could not tell you that without further investigation.

Q. Would you find out where that appears?—A. Yes, I will do that. It is in category 15.

Mr. LANGLOIS: The international short wave building in Montreal, or in Amherst is administered by the C.B.C.; does the C.B.C. pay the international corporation for the expense incurred?

The WITNESS: Well, that is a question of detail, sir; my understanding is in general that the C.B.C. domestic service makes use of the building, and provision is made out of their funds for their share of the building and service—we take account of that, as you will note, in the estimates and you will see the international revenue of the short wave; you will see the amount of revenue included there. I believe we took that into account in determining the net vote to be asked, so that the rental value of that building in so far as it is used by the Domestic Service is taken into account.

Mr. BROWNE: Have you any records as to the amount in Newfoundland?

The WITNESS: I just can say on that, that when the C.C.C. took over the broadcasting activities in Newfoundland there was the problem of taking over certain services and equipment, and there were some items in the supplementary estimates to take care of that. I am afraid that is not here, that would be elsewhere. It is not large enough to be shown here as a separate item.

Mr. FRASER: I do not see that we can get a breakdown on this without referring to the public accounts.

The CHAIRMAN: Again, Mr. Fraser, I suggest that we should complete our study of the material we now have before us. I think so far as we have gone we are doing good work.

Mr. FRASER: I know.

The CHAIRMAN: You know. That is good. Are there any further questions on item No. 7?

By Mr. Drew:

Q. I have a question there so I will know just how far this goes. It is a case of advertising, to take one example. Do I understand, Mr. Bryce, that that would include all the advertising that was covered by the estimates for the current year?—A. As far as we would find any provision in the estimates for that, sir.

Q. That is exactly the qualification which has concerned me. Take, for instance, the Department of National Defence, where in the estimate would you find the entry for the Department of National Defence which would be covered by 7?—A. It would be divided into the various primaries that are shown in the defence details on pages 169, 170 and 171. In some of these categories are included items—here is one, for instance, under sundries, they provide for printing and stationery, films and that sort of thing, and I should think it is probably in that item; but we have secured the details from our files and classified them under these various headings.

Q. That is exactly what I want to have made clear. Some of these give in some detail the headings, I think, such as equipment and communication services, films made for special courses in relation to defence education, but they do not refer to advertising which in the other departments is clearly stated. You in your department have figures in supporting detail so that you know exactly what is involved.—A. Yes sir, when we examine the estimates we go into such details.

Q. And you would be able to say what was covered in the army as the main item?—A. Yes.

Q. The one covered by the term sundries?—A. As far as I can tell on short notice that is where it would occur; but we have taken these defence figures and put them in here because by grouping them in this way we do not reveal all the details, for security reasons.

The CHAIRMAN: May I ask you just one question there? The item here in the sundries regarding advertising expense; would that include publicity campaigns and advertising used for getting recruits?

The WITNESS: I should think it would. That is the only substantial advertising done there that I know of.

By Mr. Macdonnell:

Q. Would you include in this item the number of people engaged in publicity indicated in reply to a recent return in the House which I asked for? As I recall it there were forty people in the Department of Defence who were really doing publicity work although they were not specifically characterized as such. Would that item attract your attention?—A. That would be in salaries, sir, but it would not include pay and allowances for service personnel.

Q. But where it is allocated under salaries and wages it would not appear elsewhere, and that would include all the personnel engaged on publicity work?—A. It might be that there were some engaged in the preparation of publicity material. You will notice here that we have publicity, films, broadcasting and advertising as the type of expenditure; it is not the whole expenditure on publicity, it is the type of expenditure described.

Mr. DREW: Just so we will understand it, does that item cover all government advertising.

The WITNESS: As far as we have been able to fund the items it includes all the advertising provided for in the estimates.

Mr. MACDONNELL: What is paid out to other organizations? As I understand it that does not include work done by government servants, but how far does it go, because I see you have a very large amount in category 1?

The WITNESS: Oh, yes sir, certainly.

Mr. FRASER: There is also advertising on the rentals of property.

The WITNESS: Yes, some of it may be attributable to that.

Mr. FRASER: And equipment would also come under that.

The CHAIRMAN: Gentlemen, it is 1 o'clock. We will adjourn until Monday afternoon at 4 o'clock.

The committee adjourned.

APPENDIX "A"

ESTIMATES

SUMMARY BY MAIN OBJECTS OF EXPENDITURE AND SPECIAL CATEGORIES

	1950-51	1949-50	1938-39
	\$	\$	\$
1. Civil Salaries and Wages	313,203,874	315,158,026	77,101,774
2. Allowances — Civilian	5,237,133	5,101,205	1,181,090
3. Pay and Allowance — Defence Forces and R.C.M.P.	131,689,714	121,086,698	15,355,455
4. Professional and Special Services	17,258,201	17,408,997	2,599,223
5. Travelling and Transportation Expenses.	22,744,354	23,052,346	4,742,206
6. Materials and Supplies	76,510,901	58,891,570	6,586,105
7. Publications, Films, Broadcasting and Advertising	6,826,301	6,828,957	624,420
8. Freight, Express and Cartage	6,746,457	8,800,686	639,825
9. Telephones, Telegrams and Postage	8,595,943	8,972,069	960,248
10. Printing, Stationery and Office Equipment			
(a) Printing and Stationery	13,090,442	12,693,896	2,582,901
(b) Office Equipment	1,635,130	1,589,126	...
11. Building, Works and Structures			
(a) Acquisition or Construction, includ- ing Purchase of Land	168,575,705	197,784,348	35,830,565
(b) Maintenance and Repairs	33,551,248	28,708,688	3,664,294
12. Equipment			
(a) Acquisition or Construction	147,676,028	141,943,207	14,797,962
(b) Maintenance and Repairs	26,637,289	30,375,131	1,796,803
13. Rentals of Property	8,805,260	7,663,114	1,719,639
14. Interest on Public Debt and Other Debt Charges	433,045,843	451,441,239	132,580,312
15. Subsidies and Special Payments to the Provinces	106,335,000	127,364,682	21,210,196
16. Other Subsidies, Grants, Contributions, etc.	52,016,784	88,520,225	9,698,280
17. Family Allowances Payments	307,000,000	284,880,000	...
18. Old Age Pensions, including Pensions to the Blind	103,626,000	74,242,000	30,540,800
19. Veterans Disability Pensions and Other Payments under the Pensions Act.....	99,739,000	101,589,000	40,920,000
20. Other Payments to Veterans and Dependents	57,094,500	83,364,000	9,445,000
21. Militia Pensions Act Payments	15,799,600	14,046,347	1,500,000
22. Other Pensions and Superannuation	9,128,006	7,369,247	3,690,430
23. Government's Contribution to Unemploy- ment Insurance Fund	23,000,000	21,500,000	...
24. General Health Grants	25,000,000	33,200,477	...
25. Trans-Canada Highway Contributions....	20,000,000	...	...
26. Movement of Mail by Land, Air and Water	32,910,747	34,103,821	15,574,515
27. Maritime Freight Rates Act	7,319,000	7,092,771	3,138,000
28. Direct Relief and Relief Projects	1,500,000	3,700,000	35,908,000
29. Deficits—Government Owned Enterprises	2,713,134	49,056,888	57,184,788
30. All other Expenditures	82,468,884	103,349,815	17,646,217
	2,367,480,478	2,470,879,606	549,219,048
31. Less Estimated Savings and Recoverable Items	58,648,878	70,830,623	304,300
Net Amount included in Estimates of Expenditure	2,308,831,600	2,400,048,983	548,914,748

APPENDIX "B"

Explanatory Notes Covering the Main Objects of Expenditure and Special Categories detailed in the Attached Summary**1. Civil Salaries and Wages**

Includes salaries and wages of all civilian full time, part time and seasonal personnel generally considered as "Government Employees"—but does not include employees of Crown Companies and such Agencies—whether paid at hourly, daily, weekly, monthly or annual rates of pay and includes overtime or any other special pay. It also includes Judges salaries, those of the Governor General and Lieutenant Governors and the indemnities to Members of both Houses of Parliament but does not include Film Board Production and Distribution Staffs and certain seasonal employees on survey parties and possibly others not identifiable in Estimates supporting details.

2. Allowances—Civilian

Includes Living Allowances, Special Stenographic Allowances, Living and Representation Allowances Abroad, Special Service Allowances, Mileage Allowances to Railway Mail Service Staffs, Isolation Allowances, Board and Subsistence Allowances and other such allowances payable to civilian Government Employees. Also includes Ministers' Motor Car Allowances and the Expense Allowances to Senators and Members of the House of Commons.

3. Pay and Allowances—Defence Forces and R.C.M. Police

Includes Pay and all types of allowances payable to members of the Defence Forces and the Royal Canadian Mounted Police, including Subsistence Allowances and other perquisites common to such Services.

4. Professional and Special Services.

Includes Outside Medical and Legal Services, Corps of Commissionaires Services, Accountants, Outside Reporting Services, Outside Doctors and Nurses for Veterans Treatment and Examination of Pension Applicants and Other Outside Technical, Professional and Other Expert Assistance, Outside Hospital Treatment and Care, Annuities and Other Agents paid on a fee or commission basis.

5. Travelling and Transportation Expenses

Includes Travelling, Transportation and Removal Expenses of Government Employees, Members of the Defence Forces and the Royal Canadian Mounted Police. It includes living and other expenses of such persons on travel status, Judges travelling expenses and travelling expenses and allowances payable to Senators and Members of the House of Commons. Minor amounts for smaller services which would not materially affect this total may be included under other general headings.

6. Materials and Supplies

Includes fuel for ships, planes, transport, heating, etc.; feed for livestock; food and other supplies for ships and other establishments; seed for farming operations; food, clothing and other supplies for sick

and indigent Indians; coining and refining supplies for the Mint; laboratory and scientific supplies; supplies for surveys, investigations, etc.; chemicals; Hospital, Surgical and Medical Supplies; building materials and supplies; mail bags for transportation of the mails; char service supplies, lumber and other materials required in the ordinary minor repair, maintenance and upkeep of Public Buildings and Works (as distinct from more or less capital improvement and repair projects specifically provided for); coal, wood and electrical supplies, etc.

7. Publicity, Films, Broadcasting and Advertising

Includes informational and educational bulletins, pamphlets and other publications respecting matters of a National interest, Marketing information, Publicity and information abroad, Tourist publicity, Advertising and publicity respecting changes in services and legislation affecting the public, publications on scientific and technical matters, information respecting natural resources, statistics and other such material, Production and Distribution of Films and Other Visual Materials by the Film Board and the International Broadcasting Service of the Canadian Broadcasting Corporation. It does not include the printing of Departmental Annual Reports or the printing of Parliamentary Papers.

8. Freight, Express and Cartage

Includes cost of transporting all types of supplies, materials and equipment, etc., from the movement of mails from city Post Offices to the various Government Departments to the movement of heavy equipment between camps and other establishments of the Defence Services. Minor amounts for smaller services which would not materially affect this total may be included under other general headings. Movements of material and supplies for works projects would normally be included in the cost of the project.

9. Telephones, Telegrams and Postage

Includes all costs of normal communication services by telephone, telegram, cables, teletype and postage, other than franked mail originating in Ottawa. Larger items—\$875,000 in 1950-51 for postage on Family Allowance cheques, an amount of \$415,000 shown under Finance for the Cost of Telephone Service at Ottawa for all Government Departments, and the sum of \$625,000 for Teletype Service for the Meteorological Services of the Department of Transport.

10. (a) Printing and Stationery

Includes cost of printing Departmental Annual Reports and other Parliamentary Papers, Cheques, Accounting and Other Forms, purchase of stationery, envelopes and other office supplies such as pens, pencils, erasers and many other items of the above nature. Minor amounts for the smaller services which would not materially affect this total may be included under other general headings.

10. (b) Office Equipment

Includes acquisition of office machines and other equipment such as typewriters, bookkeeping and statistical machines, adding and calculating machines and that type of office equipment, including inspections, repairs and upkeep of such equipment, also includes small pieces such as pencil sharpeners, bostitch machines, etc.

11. (a) Acquisition or Construction of Buildings, Works and Structures

Includes provision for all expenditures on new construction of buildings, roads, irrigation works, canals, airports, wharfs, bridges or

other type of fixed asset. It includes major improvements and renovations involving changes of a structural nature and also the installed cost of fixed equipment which is essentially a part of the structure such as elevators, heating and ventilating equipment, etc.

11. (b) Maintenance and Repairs of Buildings, Works and Structures

Includes materials and other costs entering directly into the cost of major or extraordinary repair and upkeep of the type of durable physical assets indicated under 11 (a) on previous page (as distinct from ordinary minor repair and upkeep works undertaken by a Department with its own staff in the normal course of its functions).

12. (a) Acquisition or Construction of Equipment

Includes all new items of machinery and equipment, other than office equipment, and includes motor vehicles, tractors, road equipment, laboratory and other scientific equipment, vessels, icebreakers, and other aids to navigation and all other types of light and heavy equipment and includes various types of such equipment for National Defence.

12. (b) Maintenance and Repairs of Equipment

Includes all materials, repair parts and other costs entering directly into the cost of repair and upkeep of the equipment indicated in 12 (a) above.

13. Rentals of Properties

Includes provision for rentals of properties required for special purposes by the various Departments, such as the Experimental Farms; External Affairs, Immigration and the Trade Commissioner Service Abroad; National Defence Services, Unemployment Insurance Commission, The Royal Canadian Mounted Police and for accommodation of Government Offices and Services by the Department of Public Works. The larger provisions are shown under the following Departments:—

	1950-51 \$	1949-50 \$	1938-39 \$
Agriculture	149,733	122,272	49,229
Citizenship and Immigration.....	113,820	126,700	13,250
External Affairs	290,650	335,400	....
Labour—Unemployment Insurance Commission	1,383,000	1,160,000	....
National Defence	975,260	840,602	
Public Works	5,243,009	4,400,000	1,484,860
Royal Canadian Mounted Police.....	305,250	247,400	
Trade and Commerce.....	197,000	192,768	147,000
Other	147,547	238,002	25,300
	8,805,260	7,663,144	1,719,639

14. Interest on Public Debt and Other Debt Charges—

Includes interest on the Funded Debt of Canada (including Treasury Bills) and on other liabilities such as Trust and Other Special Funds. It also includes costs of issuing new loans, Annual Amortization of Bond Discount, Premiums and Commissions, and other costs of servicing the Public Debt.

15. Subsidies and Special Payments to the Provinces

Includes Provincial Subsidies payable under the British North America Act and subsequent arrangements; Special Compensation to the Provinces in lieu of certain taxes as provided in the Dominion-Provincial Tax-Rental Agreements. It also includes, for 1950-51 and 1949-50, certain payments to Newfoundland under the Terms of Union and in respect of certain matters supplementary to those Terms.

16. Other Subsidies, Grants, Contributions, etc.

The larger items included under this category are:—

	1950-51 \$	1949-50 \$	1938-39 \$
Assistance to encourage the improvement of cheese and Cheese Factories	1,400,000	1,700,000	....
Deficits under the Agricultural Products Act	4,350,000	450,000	....
Freight Assistance on Western Feed Grains	5,000,000	17,000,000	....
Quality Premiums on A and B1 Grade Hog Carcasses	5,854,633	5,877,133	....
Grants to Agricultural Fairs and Exhibitions	536,400	475,900	384,350
Subsidies for Cold Storage Warehouses.	644,159	1,439,237	232,015
Participation in International or Commonwealth Organizations (External Affairs)	4,352,453	9,739,652	....
Commodity Prices Stabilization Corporation	500,000	5,000,000	....
Advances to the Canadian Wheat Board in respect to Flour or Food containing Wheat	....	6,000,000	....
Payments to Municipalities in lieu of Taxes	1,655,000	850,000	100,000
Emergency Gold Mining Act	8,000,000	13,000,000	....
Grants to Indian Residential Schools	2,426,730	2,527,877	1,295,988
Movements of Coal and Other Coal Subsidies	4,850,000	4,900,000	2,505,000
Subsidies on Iron and Steel	2,000,000	7,750,000	....
Mail Subsidies and Steamship Subsidies	3,317,000	2,401,800	2,055,417
Assistance to Canadian Flag Ocean Shipping Industry	3,000,000	....	....
Agricultural Prices Support Account—To recoup losses	4,130,409	3,473,295 5,935,331	3,125,510
Other	52,016,784	88,520,225	9,698,280

17. Family Allowances

Payments of monthly allowances authorized by the Family Allowances Act of 1944.

18. Old Age Pensions and Pensions to the Blind—

Payments of the Dominion's 75% share of pensions payable under authority of the Old Age Pension Act.

19. Veterans Disability Pensions

Includes pensions and other payments authorized under the Pension Act, the Civilian War Pensions and Allowances Act and the Civilian Government Employees (War) Compensation Order. This covers both Wars 1 and 2 and includes a small amount in respect of the Northwest Rebellion of 1885. Details on page 320, Main Estimates of 1950-51.

20. Other Payments to Veterans and Dependents

Includes:—

	1950-51 \$	1949-50 \$	1938-39 \$
War Veterans Allowances, including Assistance Fund	22,465,000	20,620,000	5,900,000
Hospital and Other Allowances	3,720,000	4,400,000	1,075,000
Unemployment Assistance	50,000	75,000	2,350,000
Post Discharge Rehabilitation Benefits	14,045,500	29,000,000	....
War Service Gratuities	250,000	1,000,000	....
Re-establishment Credits	16,500,000	26,000,000	....
Sundry Items	64,000	243,000	120,000
Campaign Stars and Medals	....	2,026,000	....
	57,094,500	83,364,000	9,445,000

21. Militia Pensions Act Payments

Includes:—

	1950-51 \$	1949-50 \$	1938-39 \$
Pensions under Parts 1-4 of the Act to retired members of the Forces.	5,000,000	5,000,000	1,500,000
Government's Contribution to the Permanent Forces Pension Fund.....	10,799,600	9,046,347	....
	15,799,600	14,046,347	1,500,000

22. Other Pensions and Superannuation

Includes:—

	1950-51 \$	1949-50 \$	1938-39 \$
Government's Contribution to the Superannuation Fund	7,100,000	5,463,000	2,230,000
Pensions in respect of Judges.....	468,317	408,318	289,133
Payments under earlier Superannuation Acts	165,000	178,000	718,000
Royal Canadian Mounted Police Pensions	1,188,411	1,106,169	286,486
Gratuities to families of deceased employees	100,000	100,000	60,000
Sundry Pensions in respect of Government Employees	106,278	113,760	106,811
	9,128,006	7,369,247	3,690,430

23. Government's Contribution to the Unemployment Insurance Fund

Provides the Government's Contribution to the Unemployment Insurance Fund and represents one-fifth of the net amount contributed by employers and employees combined.

24. General Health Grants

Provides for general health grants to the Provinces under terms and conditions approved by the Governor in Council to assist in Health Surveys, Hospital Construction, strengthening general public health services, eradication of Tuberculosis, prevention of mental illness, control of Venereal Diseases, prevention and correction of crippling conditions in children, training of public health and hospital personnel, Public Health Research, programs for cancer control. Details for 1950-51 are set out on page 187 of the Main Estimates for that year.

25. Trans-Canada Highway—

Provides initial contributions to the Provinces under the terms of the Trans-Canada Highway Act.

26. Movement of Mail by Land, Air and Water—

Includes provision for the following services by the Post Office Department:

	1950-51	1949-50	1938-39
Mail Service by Railway	9,005,000	8,805,000	7,150,000
Mail Service by Steamboat	2,270,000	2,750,000	213,000
Mail Service by Air	8,335,747	8,228,821	1,731,435
Mail Service by Ordinary Land Conveyance, including Rural Mail Delivery	13,300,000	14,320,000	6,381,080
	32,910,747	34,103,821	15,574,515

27. Maritime Freight Rates Act—

Provides for payments resulting from the application of the special rates provided under the Maritime Freight Rates Act to:

Canadian National Railways	5,869,000	5,693,771	2,278,000
Other Railways	1,450,000	1,400,000	861,000
	<hr/>	<hr/>	<hr/>
	7,319,000	7,093,771	3,138,000

28. Direct Relief and Relief Projects—

The amounts included in this category for 1950-51 and 1949-50 are the amounts provided under Labour-Unemployment Insurance for the payment of unemployment assistance to certain residents of Newfoundland to give effect to the Terms of Union of Newfoundland with Canada.

The amount shown for 1938-39 includes:

Direct Relief, Material Aid and for the purchase and distribution of food stuffs and of feed and fodder for live stock in the drought areas of Western Canada and assistance in the removal of stock and resettlement		9,030,000
Special works in connection with Federal contributions to Provincial and Municipal relief projects		2,075,000
Contributions to Farm Employment and Supplementary Plans		1,870,000
Development and Training Projects for Unemployed Young People.....		1,750,000
Co-operation with the Provinces for rehabilitation of unemployed persons.		500,000
Grants-in-Aid to the Provinces		17,500,000
Provision of transportation facilities into Mining areas.....		1,310,000
Contribution to cost of railway projects.....		850,000
Other items and contingencies		1,023,000
	<hr/>	<hr/>
		35,908,000

29. Deficits—Government Owned Enterprises—

Includes Deficits in respect of the operations of the following:

	1950-51	1949-50	1938-39
Hudson Bay Railway	400,000	500,000	370,000
Northwest Communication System.....	231,034	343,016	....
Prince Edward Island Car Ferry and Terminals	1,159,000	1,221,230	387,644
Canadian National (West Indies) Steamships, Limited	720,000	460,498	....
Churchill Harbour	203,100	111,435	126,747
Jacques Cartier Bridge .....	....	60,087	386,967
Canadian National Railway Company...	....	42,043,028	55,000,000
Trans-Canada Air Lines .....	....	4,317,594	830,000
National Harbours Board .....	....	....	83,430
	<hr/>	<hr/>	<hr/>
	2,713,134	49,056,888	57,184,788

30. All Other Expenditures—

The larger items under this head are:

	1950-51	1949-50	1938-39
Compensation for Animals Slaughtered..	\$ 1,091,292	\$ 2,267,500	\$ 410,000
Representation Abroad — Undistributed Items	1,277,263	1,713,458	107,348
Government's Contribution as an Employer to the Unemployment Insurance Fund	1,050,000	1,050,000	....
Miscellaneous and Unforeseen — Subject to Allocation by the Treasury Board..	1,000,000	1,080,000	80,000
Penitentiaries — Undistributed Items including Maintenance, Discharge and Other Expenses in respect of Convicts.	2,558,330	2,477,275	841,575
Vocational Training Payments—Labour.	5,633,000	7,321,100	50,000
Costs of Survey Field Parties	2,050,707	1,933,285	221,411
Air Photography — Mines and Technical Surveys	1,340,000	1,340,000	....
National Defence — Undistributed Items	23,060,529	27,033,147	1,303,769
Federal District Commission including the National Capital Fund	3,104,500	3,104,500	488,072
Public Works—Light, Power and Water Rates	1,649,000	1,764,000	708,000
Fraser Valley Dyking Board .....	....	4,125,000	....
Research and Development — Civil Jet Planes	1,600,000	1,500,000	....
Canadian Arsenals — Administration, Operation and Replacement of Plant..	2,900,000	4,200,000	....
Atomic Energy Control Board—Operation and Maintenance	6,263,530	5,013,670	....
Reimbursement of the Canadian Wheat Board — Administration and deficits in respect to Rapsseed and Flax Accounts .....	....	4,570,076	....
Grants to Veterans settling on Provincial Lands	2,200,000	3,600,000	....
Balance made up of smaller items detailed throughout the Estimates in amounts varying from a few thousands to not more than the smallest items detailed above	25,690,733	29,256,804	13,436,042
Total of "All Other Expenditures".....	<u>82,468,884</u>	<u>103,349,815</u>	<u>17,646,217</u>

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SESSION 1950

HOUSE OF COMMONS

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Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

MONDAY, MAY 8, 1950

WITNESS:

Mr. Watson Sellar, C.M.G., Auditor General.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



STANDING COMMITTEE
on
PUBLIC ACCOUNTS

Chairman: L. Philippe Picard, Esq.,

Vice-Chairman: D. A. Croll, Esq.

Messrs.

Anderson	Fleming	Maybank
Ashbourne	Fournier (<i>Maisonneuve-Rosemont</i>)	Pinard
Balcer	Fulford	Prudham
Beaudry	Fraser	Richard (<i>Gloucester</i>)
Benidickson	Gauthier (<i>Portneuf</i>)	Richard (<i>Ottawa East</i>)
Blue	Hansell	Riley
Boisvert	Helme	Robinson
Boivin	Homuth	Sinclair
Brisson	Johnston	Stewart (<i>Winnipeg North</i>)
Browne (<i>St. John's West</i>)	Kirk (<i>Antigonish-Guysborough</i>)	Thatcher
Cauchon	Kirk (<i>Digby-Yarmouth</i>)	Thomas
Cavers	Langlois (<i>Gaspé</i>)	Warren
Cleaver	Larson	White (<i>Hastings-Peterborough</i>)
Cloutier	Macdonnell	Winkler
Cruickshank	Major	Wright
Denis		
Diefenbaker		
Drew		

Clerk: A. L. Burgess

MINUTES OF PROCEEDINGS

MONDAY, May 8, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Vice-Chairman, Mr. D. A. Croll, presiding.

Members present: Messrs. Anderson, Blue, Browne (*St. John's West*), Cavers, Croll, Drew, Diefenbaker, Fulford, Fraser, Hansell, Helme, Johnston, Langlois (*Gaspé*), Macdonnell, Major, Prudham, Richard (*Ottawa East*), Riley, Stewart (*Winnipeg North*), Thatcher, Warren, Winkler, Wright.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed consideration of the summary of the estimates for the fiscal years ending in 1951, 1950 and 1939, and the explanatory notes covering the items detailed therein, tabled by Mr. Bryce on Friday, May 5, and printed as *Appendices A* and *B* to that day's minutes of proceedings and evidence.

Examination of Mr. Bryce was continued.

At 6 o'clock p.m. the Committee adjourned until Wednesday, May 10, at 11 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Monday, May 8, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Vice-Chairman, Mr. D. A. Croll, presided.

The VICE-CHAIRMAN: Gentlemen, we have a quorum. Mr. Picard is away for the day and he asked me to preside for the meeting this afternoon. I gather that we were at item No. 8 on the memorandum presented to us by Mr. Bryce.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, recalled:

Mr. DREW: Mr. Chairman, we have disposed of section 7?

The VICE-CHAIRMAN: Yes. Is there anything that the members want to ask concerning paragraph 8 on the memorandum? *Freight, Express and Cartage.*

Mr. THATCHER: There is some general information I would like to have on this item. I notice that it is quite substantially reduced from what it was last year, a little over \$2,000,000. I was wondering how that happened? Would that be just in freight?

The WITNESS: Not necessarily just in freight. There would be quite a variety of items covered by No. 8. I am sorry I cannot tell you offhand the reason it is down.

Mr. DIEFENBAKER: Mr. Chairman, I do not want to go back over something that has been concluded but it is very difficult these days with the House sitting and one having responsibilities there to be present when each of the items is taken up and to consider each adequately. There is just one question arising out of this and I would like to base my question on it. This is an item which came up the other day; namely, travelling and transportation expenses. I would appreciate it very much if I might have the privilege for a moment of going back to that.

The VICE-CHAIRMAN: All right, Mr. Diefenbaker.

Mr. DIEFENBAKER: I have gone over the public accounts in connection with travelling and transportation expenses, and in order to understand this item and how some of these very large expense accounts are made up in the estimates, based no doubt on the expenses of the year before, I thought it might be worthwhile to have the committee have placed before it a summary of a few of the accounts of the various departments to ascertain how it is that such very large travelling expenses and allowances in certain cases have been paid. After all, estimates for the next year are based, are they not, on the expenditures of the year before that. And with that in view I would ask this very short question, Mr. Chairman.

The VICE-CHAIRMAN: Yes.

Mr. DIEFENBAKER: That a number of accounts be laid on the table of this committee so that the committee may understand something which has always been somewhat difficult for me to understand, how certain travelling and living

allowance expenses are made up. I am going to refer to these short examples and then I'm through. And in picking out certain accounts there is no suggestion at the moment there is anything of an improper nature. I make that clear. I ask merely for the purpose of getting information because of the size of the accounts. I have marked them in the public accounts and I will refer to the pages. I take first the item under the Department of External Affairs on page E-18 and as I go down the list I come to the High Commissioner for India, allowance, \$18,792, and for expenses \$2,680. I would like to know how the allowances are made up. Or I turn to page 19 and I find allowances for the ambassador to the Argentine, to Brazil and to Chile, run between \$15,000 and \$16,692; for Mexico, the allowance is \$12,000 (that is on the same page) and travelling expenses are \$5,868.34. How are these made up? How are these allowances fixed? And, what is the common basis for determination? Then, on pages 21—

The VICE-CHAIRMAN: Just one minute, Mr. Diefenbaker.

The WITNESS: I wonder if you would make it clear. Do you wish to know how the allowances are determined as well as the travelling expenses?

Mr. DIEFENBAKER: Yes; how the allowances are determined and, next, representative travelling expense accounts such as any one of those to which I have just referred there; and if there are examples of allowances in connection with the delegation to the United Nations—I see General McNaughton's allowance was \$14,392.

The VICE-CHAIRMAN: What page?

Mr. DIEFENBAKER: Page E-21. Then passing on to representation in the consular general's office, take an example such as the United States, Boston—

The VICE-CHAIRMAN: What page?

Mr. DIEFENBAKER: E-21, the fourth item down.

The VICE-CHAIRMAN: Yes.

Mr. DIEFENBAKER: Allowances of \$4,848, and then in Detroit, an allowance of \$7,752 for the consul; and in San Francisco \$12,936, and as well in San Francisco \$1,903 for travelling expenses and removal expenses additional. Then, under another representative department, take the Department of Public Works, page V-75 near the foot of the page—and I am not giving the names of individuals—I gather that is travelling expenses.

The VICE-CHAIRMAN: Just a minute till we find that.

Mr. DIEFENBAKER: Page V-74, the fourth item from the bottom, expenses of \$4,164.64.

The VICE-CHAIRMAN: Yes. Wait a minute, Mr. Bryce is making notes here.

Mr. DIEFENBAKER: I am sorry. Now, I go over to another department, the Department of Trade and Commerce, and note many substantial items.

The VICE-CHAIRMAN: Page?

Mr. DIEFENBAKER: Page Y-30. I see there about the twelfth item down, Mr. Ashbaugh's, expenses \$3,537. Again, under Trade and Commerce on page Y-47, there is Mr. Frigon, travelling expenses and allowances of \$5,478.

The VICE-CHAIRMAN: I haven't got his name?

The WITNESS: Frigon.

Mr. DIEFENBAKER: At page Y-47, Mr. Chairman.

The VICE-CHAIRMAN: Yes.

Mr. DIEFENBAKER: And again at page Y-48 there are two: one is Mr. Malloch, at the end of Y-48, for travelling expenses and living allowances, annual rate, total amount of \$7,271.67. How are those allowances made up and is there any common basis on which they are accepted.

The VICE-CHAIRMAN: Just a minute, please.

The WITNESS: Might I ask in that connection—we have detailed regulations covering these allowances—do you wish the regulations and the formula?

Mr. DIEFENBAKER: Yes, if they are based upon regulations, what are the regulations?

The WITNESS: Yes.

Mr. DIEFENBAKER: Where it shows there that the travelling expenses alone are of very considerable amounts, could we have representative accounts showing how travelling expenses of the amount in question can be made up?

The WITNESS: Yes sir.

Mr. DIEFENBAKER: There is one other item here to which I should like to refer in that same connection and that is on page Y-47; travelling expenses and allowances—it is the second item on the page there—\$4,870. Then, finally, on page Y-36, is the entry near the end of the page of salaried employees receiving \$3,000 and over; living allowance rates and travelling expenses; allowance rates there running as high as \$7,548; and again, on page Y-37.

The VICE-CHAIRMAN: These are trade commissioners aren't they?

Mr. DIEFENBAKER: That is right.

The VICE-CHAIRMAN: Yes, trade commissioners.

Mr. DIEFENBAKER: Well, they are under the Department of Trade and Commerce and these are allowance rates.

The VICE-CHAIRMAN: Yes.

Mr. DIEFENBAKER: How was the allowance rate made up? For instance, take page Y-37, it ranges up to \$7,872 on one item and \$8,088 on another. How are these allowances made up? Now then there are two items there of travelling expenses and removal expenses—

The VICE-CHAIRMAN: What you are asking for is a formula?

Mr. DIEFENBAKER: Yes, a formula for allowances and expenses; and then, as far as travelling expenses are concerned, some representative accounts showing how the travelling expenses have been made up.

The VICE-CHAIRMAN: You are asking that he bring specimen accounts?

Mr. DIEFENBAKER: That is it.

The VICE-CHAIRMAN: All right.

Mr. LANGLOIS: Wasn't that agreed to on Friday?

The VICE-CHAIRMAN: Yes.

Mr. LANGLOIS: That the Comptroller of the Treasury would have someone here to answer those questions.

The VICE-CHAIRMAN: We went back again to item No. 7 for the convenience of Mr. Diefenbaker who was not here. He had certain questions he wanted to put on the record and we will see that he is supplied with the answers. We are now on item No. 8.

Mr. DREW: Now, Mr. Bryce, No. 8, which is freight, express and cartage, shown as having actually required \$8,800,000 last year and an estimated requirement of \$6,746,000 in the coming year, and that compares with \$639,000 in the last postwar year 1938/39, which means that this sum is ten times as much for the requirement for freight, express and cartage as for 1938/39, the last year before the war. The question that arises in my mind is this. While in some cases there would seem to be very obvious reasons why there is a great change in some of these figures because of the new services being given and the new arrangements being made of different kinds for the public service, in this case it seems to be a type of service that has been going on for years; and I am wondering what examination to your knowledge was made of these comparative

figures with the idea of determining just why we should now be paying more than ten times as much for freight, cartage and express as we were in the last year before the war.

The VICE-CHAIRMAN: Pardon me, Mr. Drew, is not that rather a matter of public accounts?

Mr. LANGLOIS: Well now, Mr. Chairman, on a point of order, we are not studying public accounts here at the moment, we are on the estimates with the Assistant Deputy Minister of Finance who deals with the format of the estimates, and I submit that questions such as the one just asked by Mr. Drew should be asked when we have the Comptroller of the Treasurer here and he will be able to give us the information required. We are not studying the public accounts at the moment, we are just studying the suggestions made by Mr. Sellar for improvement of the form of the estimates. I submit, Mr. Chairman, that the question just asked by Mr. Drew is not at this time in order.

Mr. THATCHER: Well, Mr. Chairman, I would say that that is information we ought to have.

Mr. FRASER: Yes, that is what I would like to know.

The VICE-CHAIRMAN: Gentlemen, of course, that will be quite in order when we reach the public accounts, just as the questions asked by Mr. Diefenbaker deal directly with public accounts, and at that time we can have the proper officials before us and get an explanation. The memorandum which is before us at the present time deals with a method of improving the form of the estimates. Mr. Bryce is not in a position to answer the question and we will have the proper officials concerned before us when we are studying the public accounts. At the moment we are dealing with the submission which is as to how the estimates might be improved, and I suggest that we should complete that so that we may then be able to go into the public accounts.

Mr. LANGLOIS: In reply to Mr. Thatcher's remarks, I would remind him that he was the one on Friday who moved that we confine our attention to the memorandum before us, and as you will all recall, he had a great deal of difficulty in getting this committee to agree to confine our discussion to this.

Mr. THATCHER: It was not that—

Mr. LANGLOIS: I know it is not that, it is far from it, because you are now entering into a discussion of the public accounts, and that is something quite different. Let us get through with this material first and then we can go on to something else. And, in calling this to your attention, I am merely following the suggestion which you made yourself on Friday last.

Mr. DREW: May I make this just as an observation? I asked the question. The figures in the memorandum before us which accompany this submission give us a comparative examination of the past expenditures and the estimates in the form of a blueprint which have not yet been accepted, a comparison between the estimates and past performance; and, as I understand it the purpose of this was to try to show us what can or cannot be done along the lines of the suggestion made, and putting it in on this different basis would make it possible for us actually to compare the figures so that we would be able to study and examine these public accounts and possibly get information regarding all these things. It has been suggested that we wait until the public accounts are before us before we ask for that information, but I would point out that we cannot do that with the public accounts before us because those public accounts end March 31st, 1949, and to that extent the public accounts before us do not deal with the first or second columns of these figures; and it seems to me if we are to be able to reach some accurate judgment as to the suitability of this method—a comparative setting forth of past expenditures and present estimates—we must know what is included in them so that we know whether we are in fact talking about the

same terms. My question is directed to the fact that just as in the case of publications, films, broadcasting and advertising so in the case of this item of expenditure for 1950/51 it shows an estimated amount which is ten times what it was in the prewar year. I would like to know if we are talking about precisely the same thing, and if so why the question should not be directed to Mr. Bryce, the officer who deals with estimates, with a view to ascertaining what the reasons are behind this tremendous increase in expenditure under this item.

The VICE-CHAIRMAN: Gentlemen, we are not now dealing with expenditures. If you will take a look at the figures before you you will see that these are the estimates. They indicate what the estimates were for the three separate years, 1938/39, 1949/50 and 1950/51. This has nothing to do with expenditures at all. We have not reached the public accounts yet and until we get through with this memorandum now before us we cannot take up public accounts, because as I understand it we were to stick to this memorandum, we have to dispose of it before we go on to a consideration of the public accounts.

Mr. DREW: Mr. Chairman, I do not want to labour the point, but when you mention public accounts may I call your attention to the difficulty of obtaining from the public accounts anything like a comparable breakdown to the figures in the material which we now have before us.

The VICE-CHAIRMAN: That is quite true.

Mr. DREW: And there is no way in which any member of this committee can detach from the printed copy of the public accounts details for examination such as are available to us under the headings in this material now before us; and Mr. Bryce himself said on Friday that he is the only official of that department who has these figures before him, who could possibly prepare a statement of this kind. And if we are going to deal with the public accounts and try to reach our conclusions in regard to this manner of setting up the items, then we certainly will require another set of figures under these main headings covering the public accounts up to March 31, 1949, and perhaps for that reason, and so we will know where we are at, I will ask Mr. Bryce if he has those figures under the same headings covering the year 1948-49.

Mr. LANGLOIS: Mr. Chairman, we are not comparing the same thing at all. Mr. Drew is trying to compare the figures given here in 1950-51 with those given for the years 1938-39. Unless I am seriously mistaken the figures under this column headed 1938-39, are actually expenditures and the other ones are only estimates. Now you cannot compare estimates with expenditures and that is why the comparison is not valid. As far as the other point raised by Mr. Drew is concerned, he says we will not be able to look into that. There is nothing to prevent any member of this committee when the time comes, that is, when we are studying the public accounts proper, asking what are the comparable figures for the same item for the years 1938-39, or 1948-49, or any other years and then establish a comparison of expenditures with expenditures and not expenditures with estimates.

The VICE-CHAIRMAN: Mr. Langlois, I think you are quite right. I think we can satisfy Mr. Drew at the same time—which is perhaps a trick in itself—I think we can satisfy both of you that Mr. Bryce has no other figures with him and whatever figures Mr. Drew wants will be made available to him by whom-ever will be called at that time. Mr. Bryce was not asked to prepare any other figures.

Mr. DREW: I would not want that official to come forward and say he was not aware of what was asked of Mr. Bryce, and so I would ask Mr. Bryce to communicate with the proper officials so that the breakdown of the 1948-49 items covered by the public accounts now before us are prepared under the same headings as those contained in this sheet.

Mr. THATCHER: Just on a point of information. Just what questions are in order now? If we cannot question on details now—I am not being facetious—I would like to know what we can ask.

The VICE-CHAIRMAN: We are on No. 8 or No. 9. You have before you for the first time in a manner you can examine and compare, the estimates of various years. In the past you had to look through the books and find those comparisons for yourself. Now you have that before you and that is roughly what it entails—a comparison. When we get through with this and you know what it contains we will get to public accounts.

Mr. THATCHER: In other words we cannot question on the details?

The VICE-CHAIRMAN: You can, but the suggestion that Mr. Drew made I think was an unfair observation.

Mr. DREW: What was unfair?

The VICE-CHAIRMAN: The suggestion that there was a figure under 1950-51 ten times as great as the figure under 1938-39. I would point out however, that he is quite right in his multiplication.

Mr. DREW: Mr. Chairman, we will get on much better if you do not become an advocate for a particular cause. I suggested a question which accurately reflects the figures, but I also suggest we will carry on this committee much better if you act as chairman and not as a special pleader for those who are trying to cover up accounts.

The VICE-CHAIRMAN: I am the judge as to how I will act as chairman, and I do not want any lecture from you. If you read No. 8 of the explanatory notes you will notice that the figure includes the movement of heavy equipment between camps and other establishments of the defence services and other aspects of the services which was much greater in 1950-51 than it was in 1938-1939.

Mr. DREW: Which does?

The VICE-CHAIRMAN: No. 8.

Mr. JOHNSTON: Where are we going to get that information?

Mr. THATCHER: Are we not wasting time? I had better withdraw that motion. I thought we could ask about the details of it, but if we cannot ask for details there is no point on our sticking on it.

The VICE-CHAIRMAN: I read your motion, Mr. Thatcher.

By Mr. Browne:

Q. That column 1938-39 Mr. Langlois referred to, is it just a statement of expenditures or is that also estimates?—A. That, also, is the provision made in the estimates.

Q. I am wrong on that point. It is estimates, too?

Mr. LANGLOIS: The question that was asked by Mr. Drew was: How is it that we spent so little in 1938-39 on this item and are spending so much in 1949-50. We do not know how much was spent in 1949-50 because these are estimates. Maybe I did not make myself clear. Those are not expenditures there. Mr. Bryce is not even supposed to know if these amounts have been spent either in 1938-39, 1949-50, 1950-51.

Mr. DREW: I am a little inclined to think Mr. Bryce knows best what Mr. Bryce knows.

The VICE-CHAIRMAN: Just a minute—

Mr. LANGLOIS: I said he is not even supposed to know.

The VICE-CHAIRMAN: Mr. Browne has the floor.

Mr. BROWNE: I was going to ask whether Mr. Bryce could give us any explanation why the 1949-50 estimates are so much higher than the estimates for 1938-39?

By Mr. Drew:

Q. Let us get one thing clear. Are the 1949-50 figures estimates or expenditures?—A. Estimates.

Q. Up to March 31 of this year they are still only estimates?—A. What we have tried to compare here is like with like, the estimates in each year for the same category.

Q. Let us get this quite clearly. Are the figures for 1938-39 estimates and not actual expenditures?—A. Estimates, sir.

Q. Then, it is quite evident nobody knew what they were.—A. I am sorry. I touched on some of these points rather hastily where I submitted the Tables. The 1949-50 expenditure figures are not yet complete because the books are not closed, so we could not put in the official expenditure figures for that reason. Moreover, in the estimate books we always put in the estimates for the previous year, rather than the expenditures, for purposes of comparison because it has been our understanding that that is what the members wish to see.

This table is made up in just the same way, comparing the estimates with the estimates. We could quite readily furnish, with a certain amount of time, the actual expenditures given in any year previous to 1949-50 broken down in these categories.

By the Vice-Chairman:

Q. And the 1938-39 figures are what?—A. The 1938-1939 figures are the amounts voted by parliament for the purposes.

Q. Also an estimate?—A. They are the amounts in the estimates voted by parliament for this purpose.

By Mr. Drew:

Q. So we are dealing with exactly the same set of figures for those three years.—A. Yes.

Q. So I think it is a proper comparison to make.

Mr. RICHARD (*Ottawa East*): In any event, Mr. Bryce you would have details of those estimates for those three years, would you not? You would be able to show the reasons why the figures some years are larger than others, I suppose?

Mr. JOHNSTON: He has all the information, so why not give it to us.

Mr. HANSELL: As a matter of fact, if they are only estimates you would not find them in the public accounts.

Mr. JOHNSTON: The vice-chairman was wrong in that case.

The VICE-CHAIRMAN: Not a bit of it.

Gentlemen, we are considering the memorandum that we have before us, dealing with the question as to the groupings. Are we satisfied as to the groupings?—that was the general idea of the memorandum.

Mr. WRIGHT: Then the only question we can ask is with respect to the totals?

The VICE-CHAIRMAN: There is no reason why you cannot compare and comment on these figures, but the details for those figures are not involved at this time.

Mr. WRIGHT: Still, Mr. Drew would be justified in saying that the estimates for 1950-51 were ten times more than the estimates were in 1938-39.

The VICE-CHAIRMAN: I said Mr. Drew's multiplication was perfect, but he did not take into consideration what it contained in 1938-39 and 1950-51. If you read appendix B, paragraph No. 8, you will see what I mean.

Mr. WRIGHT: We had troops then, we had an army but then we did not have as many.

The VICE-CHAIRMAN: Yes, I presume we had an army then. You are right, Mr. Wright.

We are considering No. 8.

By Mr. Drew:

Q. I must confess I am still in some doubt just as to what we should ask and how, but I would like a detailed statement in exact words as to what is meant by freight, express and cartage. The memorandum, of course, is only a very general and brief memorandum.—A. I would have to pick out the main items that we have taken from individual votes and put in here to reveal where the increases arise. I could have a table of that sort prepared for the committee, if you wish, showing just where the increase in this item came in. The whole wide variety of government activities are larger in these days than they were pre-war, and, of course, the rates payable for freight, express and cartage are higher than they were pre-war, so the two elements, price and volume, are both increased.

Q. I would ask then that we have a statement on that showing the details that go into the making up of these figures.

The VICE-CHAIRMAN: Of No. 8?

Mr. DREW: Yes.

The WITNESS: Do you wish all the details or a few dozen of the larger votes?

Mr. DREW: I think, Mr. Bryce, it is a case of a reasonable breakdown so that we can know the kind of items that are included in here without necessarily the smaller variations, but I think the committee should know just where the increases come in.

Mr. FRASER: And the total of each department, and what departments are not included?

Mr. LANGLOIS: Would it be possible to answer those questions, Mr. Chairman.

The VICE-CHAIRMAN: Yes.

Mr. LANGLOIS: Is it possible at the same time to get the average increase or percentage of increase in the personnel of each department concerned, especially in National Defence, comparing one period with the other?

The VICE-CHAIRMAN: This would not cover personnel, would it, Mr. Langlois?

Mr. LANGLOIS: I think the more personnel in the army, the more would be the increase in the estimates.

The VICE-CHAIRMAN: I think Mr. Bryce understands what is asked of him and he will provide that information. If there is nothing else on No. 8 we will go ahead.

Mr. FRASER: This covers teletype machines, does it?

The WITNESS: That is No. 9.

By Mr. Thatcher:

Q. Mr. Chairman, I wonder if Mr. Bryce could say whether there is some overall rule as to how the various departments of government determine whether freight and passenger traffic goes by C.N.R. or C.P.R.? I mean do they allocate

it on any fixed basis? Do they try and split it fifty-fifty?—A. I do not believe there is any regulation laying that down. To find out what the practice is in the various departments in that respect, I am afraid you will have to ask the departments themselves.

Q. But there is no overall rule for all departments?—A. Not to my knowledge.

Mr. FULFORD: Is there a general principle that goods are to be sent by rail rather than by truck?

The WITNESS: I could not tell you, sir, whether there is or is not.

Mr. BROWNE: Mr. Chairman, I would like to draw the witness's attention to the items on page 168 of the estimates dealing with travel, transportation, freight and express, where the two items seem to be mixed together. They are very large amounts, in fact, they are in the millions of dollars. It must have been necessary to break these up to get these figures that we have been supplied with. Do you see the items there: travel, transportation, freight and express \$2,304,900?

Mr. LANGLOIS: What is the heading please?

Mr. BROWNE: Navy.

The WITNESS: We have endeavoured to ascertain from the departmental figures how that is divided as between these two items.

Mr. BROWNE: And if you will look at the next page, under Army, you will see: travel, transportation, freight and express \$3,859,845. And then, under Air, you will see the item, travel, transportation, freight and express, \$4,768,466, in all amounting to about \$10 million combined travel, transportation, freight and express.

Mr. DREW: Those do not cover the same things.

Mr. BROWNE: No, but he mentions here heavy equipment.

Mr. DREW: Travel of military personnel would not be included in item No. 8, would it?

The WITNESS: No, sir, it would be in item No. 5.

The VICE-CHAIRMAN: Now, we are down to item No. 9.

Telephones, Telegrams and Postage

Mr. HANSELL: I think No. 9 is a more glaring example of the increase than is No. 8 for the reason that telephones, telegrams and postage surely have increased so much, in fact over ten times. Even granting our Defence Department is larger than it was in pre-war years, we have demobilized to some extent and it is certainly not as large as it was in the war years. Now, I do not want to follow Mr. Drew's questioning all the way through on these items and have breakdowns of every telephone conversation and so forth, but it does seem to me that the business of government could not possibly be increased so much. There is almost ten times the amount spent now on telephones, telegrams and postage compared with 1938-39. Now, could we ask Mr. Bryce to give us the larger amounts in connection with No. 9? In the explanatory paragraph we find that family allowances have taken up \$875,000. Well, that it is legitimate expense. We all know that that has come into operation since 1938-1939. The other two items that are mentioned here are \$415,000 and \$625,000. That is around about 1 million. There seems to be a tremendous increase.

Mr. LANGLOIS: Mr. Chairman, I think Mr. Hansell has his answer right here in this table which was prepared by Mr. Bryce. He claims and rightly so, that there is an increase of practically ten times in telephones, telegrams and postage between 1938-39 and 1950-51. For example, if you look at item No. 3, you will see that in 1938-1939, we were providing \$15 million for pay and allow-

ances in the defence forces and the R.C.M.P., whilst in 1950 and 1951 we are providing \$131,689,714. We are providing almost ten times more.

Mr. THATCHER: On a point of order, Mr. Chairman, I think we would like to question the witness.

The VICE-CHAIRMAN: Well, Mr. Langlois was making an observation.

Mr. LANGLOIS: We have the information right there which members of the committee should read.

The VICE-CHAIRMAN: After all, Mr. Bryce has not got this information, but whatever information a member wants he can obtain for him. Can you obtain the information for Mr. Hansell, Mr. Bryce?

The WITNESS: Yes sir, we could give some of the larger amounts that would give the committee information as to why it is that the government asks for it on a scale so much larger than pre-war.

By Mr. Dréw:

Q. Does that include an estimated figure for franked mail?—A. No, sir, franked mail is not included here.

Q. Does that include any part of the amount that is paid to the railway companies or the Trans-Canada Airlines under a bulk sum for the carriage of mail?—A. No, sir, that is in item 26.

Mr. BROWNE: May I ask if there is any restriction on the use of long distance telephone calls? Who decides when there shall be a long distance telephone call and not an air mail letter?

The WITNESS: We have looked into that question, sir, in an endeavour to cut down our long distance bills. It is exceedingly difficult to lay down any regulations as to when to use a long distance telephone because by the very nature of things you have to use it in exceptional circumstances. I may say we have materially reduced our long distance charges by putting in leased lines between here and Montreal and here and Toronto in the last year or two. That is one means of controlling long distance charges. We of the Finance department submit a vote, and you will find in the estimates the amount, for telephone services provided at Ottawa. Each department however, is responsible for their own long distance charges and they will have the responsibility for exercising control themselves in each case over the bills for the use of long distance phones. The bills are normally rendered the department monthly and they are reviewed not only by the officer who makes those calls but the departmental officer responsible for seeing whether or not long distance calls being made are necessary.

Mr. BROWNE: Do you know how much is spent on long distance calls?

The WITNESS: We will get that eventually in the public accounts, but in making up the estimates we would normally review the probable requirements by departments for telephone, telegraph, postage and such things, in the light of past experience. In such a matter as long distance telephones it is exceedingly difficult to lay down any definite rules.

By Mr. Fraser:

Q. Would this item cover these lines?—A. Yes, sir.

Q. And you would pay for these leased lines?—A. Yes, in the case of leased lines, they would be paid for by the Department of Finance and the cost would be divided and allocated in appropriate amounts to the department using them.

Q. And that is all charged?—A. It is charged to the various departments.

Q. You have only one leased line now?—A. I believe we have two leased lines to Montreal and one to Toronto.

Q. And one to Toronto?—A. Yes.

The VICE-CHAIRMAN: We are now on paragraph 10 (a). *Printing and stationery.*

Mr. THATCHER: I wonder if the witness could tell us how contracts are let for printing?

The WITNESS: All printing is handled by the King's Printer.

Mr. THATCHER: And this figure is the amount of printing handled by the King's Printer? Would that include contracts for printing?

The WITNESS: No sir, those would be amounts that are charged to the vote of the King's Printer and to other votes. This item includes public printing which is done under the control of the King's Printer as well as contracts for outside printing. The King's Printer would be the appropriate officer to give you detailed information about the awarding of printing contracts and general practice in that regard. I would not know sufficient about it to be able to give you a proper answer.

By Mr. Fraser:

Q. Is there any advertising included in this, Mr. Chairman? Would any of the advertising referred to in item 7 above, there, be included under this heading?—A. I believe No. 7 would cover all the advertising as such. As I pointed out on Friday, there is a dividing line there between the printing of reports and booklets, and there is an element of difficulty as to which side of the line such material would fall.

Q. What about this matter of office equipment with respect to which I see you have no entry for 1938-39?—A. I am sorry, I should have perhaps made that clear. As a matter of fact, in respect to item No. 10 (a) in the column, we did not divide our records in the pre-war years so as to distinguish between the two.

Q. Well then, we have made some improvement in bookkeeping.—A. Yes.

The VICE-CHAIRMAN: All right, shall we take 10 (b). *Office Equipment.*

By Mr. Thatcher:

Q. I wonder if the witness could tell us whether or not all of the office equipment which War Assets had has been back into circulation in the various departments?—A. Not all of it, sir; we are still filling a large number of requisitions for typewriters from War Assets stock.

Q. Some check has been taken to make sure that they are not being bought elsewhere?—A. That is particularly the case with respect to typewriters. Much of the other office equipment I believe has already been absorbed, but typewriters of course were a thing of which we had large supplies as a consequence of the war and these are being utilized when possible to meet requisitions from departments for typewriters.

Q. But these departments have to check with War Assets on that?—A. They secure their typewriters from the King's Printer and he fills their requisitions normally from War Assets stock unless they have requests for typewriters for special purposes of a nature that would not be suited by the typewriters he has in stock.

Q. What about the other equipment like office tables and various things of that kind that War Assets handled, is there any general check on that?—A. I believe, sir, that that has been very largely done. I do not believe that any large supplies of equipment, other than typewriters, were held out. I think that most of those were cleared out in the years immediately following the war. The government was aware in the case of typewriters that they had supplies that would be available and continuing demands for some years and they especially wanted to get them used up.

By Mr. Browne:

Q. Are there any rules with regard to the calling of tenders for supplies of this kind?—A. You mean on office equipment?

Q. And printing?—A. As regards printing, I do not know that the regulations require the letting of tenders, but the King's Printer would be the proper authority to tell you what the practice is with respect to printing.

Q. That comes under his department; and office equipment?—A. Yes; but with respect to the control over office equipment, that is a fairly close control. Normally any special requisitions for office machinery come before Treasury Board for review before the purchase is made.

Mr. CAVERS: Would that include international business machines and equipment of that type?

The WITNESS: Yes, and I believe that that reaches quite a substantial figure.

By Mr. Drew:

Q. Before we pass on from that I have one question on printing and stationery. Is there any bulk buying of paper in the form of uncut sheets which have to be cut?—A. I believe there would be, sir. That again is a question of the practice followed by the King's Printer in filling departmental requisitions.

Q. And the King's Printer would be the one to tell us?—A. Yes.

Mr. WRIGHT: Does the department make any check on the disposal of used materials by the various departments? I believe in the construction of certain buildings and works there are lots of materials which are later disposed of. Are they disposed of by tender? Is there any check made on the disposal of used materials and surplus materials?

The WITNESS: I can only answer that from memory, sir. I might perhaps say just this, that I know of a number of cases where used material could not be disposed of at cost or better and in those cases reference was made to the Treasury Board to get authority to sell it locally, and in those cases I know the Board wanted to be satisfied that the best possible price was obtained and they have been sold by tender to the highest bidder. Now in other cases materials could not be sold at cost, and in a good many cases the normal procedure would be to turn it over to War Assets—which is now known as Surplus Crown Assets—and you would have to ascertain from them what their practice is with regard to disposing of such materials.

Mr. LANGLOIS: Is it not the general practice now that all salvage material or surplus material goes to the Crown Disposal Corporation?

The WITNESS: Yes.

Mr. LANGLOIS: I had an example in my own riding of the disposal of a tool shed. Tenders were called and I believe it sold for \$65 through the Crown Disposal Corporation. I believe it has now become the general practice to dispose of all surplus materials through the Crown Disposal Corporation.

The VICE-CHAIRMAN: Are there any questions on 11 (a)?

Buildings, Works and Structures—Acquisition or Construction, including Purchase of Sand.

By Mr. Drew:

Q. With regard to 11 (a), which is the acquisition and construction of buildings, works and structures, including the purchase of land, does this include the construction of all public buildings in every department?—A. We have endeavoured to include them all, sir. I believe going through the details, I noticed one item in No. 30 that might be this in indirect form. I noticed that it includes the amount provided for the Fraser Valley Flood Control Board. That was used for construction in 1949-50. That is one of the borderline problems we are up against because this was really a dominion contribution to an expenditure

by that board which was a joint dominion-provincial undertaking; it is subject to that sort of consideration, but it is intended to include all building and construction.

Q. Well now, are there any uniform requirements in regard to the way arrangements will be made for construction; are there any uniform requirements in regard to the calling of tenders?—A. Well, the Public Works Act requires the calling of tenders for works contracts. I think there is some provision—I do not have the provision right here but I think it is section 36 or thereabouts—which states that tenders must be called; and there is another provision in one of the other statutes—I think it was the Reconstruction and Supply Act, something of that sort—which permitted contracts to be made by the Minister of Reconstruction and Supply, as it was then, notwithstanding this clause; but the Public Works Act does not require that contracts be made on the basis of the lowest tender; it requires that tenders be called and that contracts be let if not on the lowest tender on such terms as the Governor in Council may determine. Of course, all major contracts are considered by the Governor in Council or the Treasury Board before being let. The practice in some other cases is that contracts of more than a certain amount should be approved by the Governor in Council before being entered into.

Q. I am interested in the mechanics of this, Mr. Bryce. I understood you to say there is provision in the Public Works Act for tenders being called in connection with the construction of any public works and also that under the Reconstruction and Supply Act there was a special provision that certain contracts could be proceeded with by approval of the Governor in Council without tenders being first called. There are other cases where in other departments which do not come under that exempting provision contracts have been made without tenders being called; and without in any way touching upon the question of policy or otherwise, would the Treasury Board be called upon to examine the circumstances under which such contracts had been made?—A. In many cases, yes sir.

Q. Well, let us take for example the sort of hospitals that have been constructed by the Department of Health without tenders. Now, what would be the procedure by which that would be done, would that be dealt with by the Treasury Board before progress payments were made?—A. Normally, where contracts involve special circumstances they will, not in all cases but frequently, be referred either to Treasury Board or the Department of Finance for comment before the Governor in Council approves of them; and in those cases the contracts will go normally to the Privy Council office to be placed before the Governor in Council for approval and they will be in many cases referred either to the Treasury Board or Finance for consideration before the Governor in Council deals with them, for any observations the Department of Finance care to make upon the proposed contracts or provisions of them. That would be the normal procedure by which construction contracts of the type you speak of would be handled.

Q. Are you in a position to speak, of your own knowledge, of the way in which any of these particular accounts have been dealt with, or would that be some other official?—A. I see a good many of the major items of this sort, sir, but I do not recall any particular hospital case offhand.

Q. Just merely as an example let me give you the new building at Moose Factory; do you recall that place?—A. I am sorry, I do not. That was some years ago.

Q. No, no.—A. The contract I believe was let some years ago.

Q. No, their contract is going on now.

The VICE-CHAIRMAN: Could we not deal with that when we come to the appropriate item in the public accounts?

Mr. DREW: There are others, but I gave that one as an example.

The VICE-CHAIRMAN: He says he does not recall that.

Mr. THATCHER: Do I understand that major buildings can be constructed without tenders; is that it? Is that the policy which is followed there?

The WITNESS: I think it is not a practice which is followed as a general policy but in recent years it has often been exceedingly difficult to get contractors to do jobs; much more difficult than when conditions are normal.

Mr. THATCHER: Why were they not called in this case? That seems pretty startling to me, if that is correct, on a major hospital.

The WITNESS: I cannot tell you from memory whether hospitals have been constructed, whether contracts for hospitals had been let, without tenders being called.

Mr. LANGLOIS: Is it not a fact that one of the reasons for tenders not being called, or for contracts not being let by tender in 1945 to 1948, was the difficulty in getting contractors to tender on a competitive basis due to the fluctuations in the cost of materials?

Mr. THATCHER: But they could call for them.

Mr. LANGLOIS: Yes, they could call for them but they would receive no answer.

Mr. DREW: But not in the case I mentioned.

Mr. LANGLOIS: I know of a few cases where tenders were invited and no replies received. I have personal knowledge of that.

The WITNESS: Of which?

Mr. LANGLOIS: Of jobs being advertised and no tenders being received.

The WITNESS: I have known of cases where that has occurred and it became necessary to let the contract by negotiation.

Mr. THATCHER: On this question, do you know, Mr. Bryce, of any number of contracts let during the last year where the lowest tender was not accepted?

The VICE-CHAIRMAN: Now, wait a minute. I think every contract, every advertisement of a contract contains the provision that the lowest or any tender is not necessarily accepted.

Mr. THATCHER: That is not the question, Mr. Chairman.

The VICE-CHAIRMAN: But it relates to the question.

Mr. THATCHER: But I want to get the information for the committee.

The VICE-CHAIRMAN: And I want to help you get that information, but you would not want to trick this witness into a wrong answer.

Mr. THATCHER: No, no.

The VICE-CHAIRMAN: I think it is a fairly common provision with respect to all advertisements that the lowest tender need not necessarily be accepted. Would you agree with that as a general provision of advertisements, Mr. Thatcher?

Mr. THATCHER: Yes, but I was wondering; I don't just understand the reason for that.

The VICE-CHAIRMAN: Ask him the reason for that?

Mr. THATCHER: What would be the reason for that?

The WITNESS: There are a variety of reasons why the lowest contract might not be accepted. One fact that is taken into account in many cases is the difference between, let us say, the type of equipment which one tenderer can supply which is not indicated as being available to another; then, too, there is the question of technical judgment as to whether even though tenderer "X" may be slightly higher than tenderer "Y", who would bid a lower price, but he is better

equipped technically to do the job; again there is the problem whether with certain contractors you would be certain of getting the work done satisfactorily, and so on.

Mr. JOHNSTON: It is not always a question of policy.

The WITNESS: That is the important consideration; it depends upon judgment as to whether the lowest tenderer in fact has a sufficiently good record as a contractor to justify the acceptance of a tender.

Mr. DREW: A sufficiently good record, on what basis?

The WITNESS: Let us say a sufficiently good engineering record.

The VICE-CHAIRMAN: Yes, or performance record.

The WITNESS: Yes.

Mr. DREW: Those were not the reasons I had in mind.

Mr. THATCHER: I would still like to get an answer to my question. I would like to know whether there have been major contracts where the lowest tender has not been accepted. Now, Mr. Chairman, if that is not a fair question I will withdraw it.

The VICE-CHAIRMAN: If he knows.

The WITNESS: In regard to the estimates, sir, of course we do provide in advance for contracts. Now, you would have to go to the public accounts to get the details as to whether there were major contracts—it all depends on what you have in mind.

Mr. THATCHER: Are you saying that you don't know, or do you mean that you do not think it would be proper for you to answer?

The WITNESS: I think that would really be a matter of the particular minister concerned.

Mr. LANGLOIS: Is not that one of the difficulties you have where tenders are called; where you have a new contractor, someone who is bidding for the first time, you have to make a thorough investigation as to his financial as well as his engineering standing, you have to ascertain his capacity to carry out the contract if it is awarded to him? I know of cases in my own riding where contracting firms went bankrupt.

Mr. JOHNSTON: Yes, I have a couple of them in my riding too.

Mr. LANGLOIS: And is it not also important to examine the details of each bid? For instance, you may have a contractor who puts in a price which on the face of it is ridiculously low, and you know that he cannot possibly meet the terms of his bid. Let us assume for the sake of argument that the lowest tenderer may have obviously made a mistake in calculating his price and it is obvious that he cannot do the contract successfully. Is that not the sort of thing you are talking about?

The WITNESS: It is a fact, sir, that the financial as well as the engineering capacity of the contractor has to be taken into account.

Mr. RICHARD: In any event, the proper one to answer the question would be the Public Works Department—the deputy minister or the minister?

The VICE-CHAIRMAN: Yes.

Mr. THATCHER: I understood that Mr. Bryce was the official of the Treasury Board who would have to do with these contracts. Would it not be much simpler for him to give us the information than to have to bring the ministers and officials of the departments here to give us the details? I think there is a question of policy involved here. If money can be saved by calling for tenders on these various buildings, if any saving can be made for the taxpayers of Canada through the adoption of a general practice of tendering, I think we should examine into it carefully with a view to making a recommendation. That is

why I wanted to know from Mr. Bryce specifically whether he knows of any cases of any major works where the lowest tender has not been accepted.

The WITNESS: When you say any major building I do not know just what you mean, but there undoubtedly have been buildings built or special construction projects undertaken in recent years where it has not been done on the basis of awarding the contract to the lowest tenderer.

Mr. THATCHER: Can you tell us of any specific instance?

The WITNESS: No, I cannot do that from memory.

The VICE-CHAIRMAN: He would not be the one to give you that information. We can bring the Deputy Minister of Public Works here to give you that, he would be the man.

Mr. THATCHER: What about this hospital which was mentioned by Mr. Drew; wouldn't that be built by Public Works?

Mr. LANGLOIS: No, Indian Affairs.

The VICE-CHAIRMAN: No, it wasn't Indian Affairs, it was the Department of National Health and Welfare, I believe, who undertook it.

The WITNESS: They do not do it invariably, but they do it in many instances.

Mr. DREW: They definitely did not in this particular one and there are many others. There is also the hospital at Sioux Lookout.

The VICE-CHAIRMAN: Yes.

Mr. DREW: Which has been built without tenders, and that is not handled by the Department of Public Works.

Mr. LANGLOIS: Is that not under Mines and Resources?

Mr. DREW: No, under National Health and Welfare.

Mr. THATCHER: Would Mr. Bryce be able to answer this question? Would Mr. Bryce think the people of Canada could save money if the government always built these things by tender.

The VICE-CHAIRMAN: That is not a question for Mr. Bryce.

Mr. THATCHER: Isn't he a Treasury Board official? I am just asking him his opinion.

The VICE-CHAIRMAN: That is not what he gives opinion on and he should not be asked that, he may not be qualified to answer.

Mr. THATCHER: There may be a chance there where we could save millions of dollars for the taxpayers, and, if so, let us find it out.

The VICE-CHAIRMAN: I am as anxious as you are to get that information, but let us have the proper officials here who can bring it to us.

Mr. THATCHER: Well then, who is the proper official?

The VICE-CHAIRMAN: The man who is in charge of buildings. This man is in charge of figures.

Mr. THATCHER: Well then, would that be the Department of Health and Welfare?

The VICE-CHAIRMAN: The Minister of Health and Welfare has already made a statement on the floor of the House as to why tenders were not called in connection with the construction of that particular hospital. You will recall that Mr. Diefenbaker asked a question and Mr. Martin made a statement which appears in *Hansard* as to why that course was pursued with respect to the hospital at Moose Factory.

Mr. WRIGHT: Mr. Chairman, do all the departments have to go before the Treasury Board for approval, in the first instance, of these projects?

The WITNESS: No, not necessarily, sir. It is the Governor in Council, the cabinet, which gives formal consideration to these recommendations, who would have to approve contracts under the terms of statutes. Occasionally they will come to Treasury Board for consideration before they go to the Governor in Council so that they may be looked at and we would have our officers go into the financial details and secure more material from the department if there were special problems involved in regard to them.

Mr. WRIGHT: And who decides whether they are to go before the Treasury Board or the Governor in Council?

The WITNESS: That would depend on circumstances, sir. In a good many instances the Clerk of the Privy Council would, in some cases, refer it to us or to the Department of Finance, or it may be that a particular minister would want to have it sent to Treasury Board for consideration before it goes to Council.

By Mr. Langlois:

Q. In answer to a previous question you said, if I understood you correctly, that it was general policy to call for tenders and to accept the lowest tender but that at times there were exceptions and the lowest tender was not always taken, and also that on occasion no tenders were received. Now, my question is this, Mr. Bryce; can you tell us the practice followed by the Department of Public Works when they have a building to construct here in Ottawa? Let us say they decide to call for tenders and they call for tenders and tenders are received. I understand they make a recommendation to Council. Now, is such a contract sent to the Treasury Board for approval before the granting of the contract?—A. In many cases that is so, sir; but not in routine cases.

Q. That is the general procedure?—A. I would not say it is general but it is a frequent procedure, particularly in cases where there are unusual problems. For instance, there may be a substantial financial problem in connection with it.

Q. Let us suppose that tenders have been called and on review of the tenders Public Works recommend that the second lowest tender be taken instead of the lowest. In such a case would the general practice be to refer such a selection to the Treasury Board for approval?—A. I could not tell you how general that is, but it does frequently occur.

Q. Would you mind checking that up?

The VICE-CHAIRMAN: He says it frequently occurs. How much better could he say that?

Mr. LANGLOIS: He says that happens frequently, but I asked him if that was the general practice.

Mr. THATCHER: Mr. Bryce says that frequently happens.

Mr. LANGLOIS: Is that practice frequent enough to call it general?

The WITNESS: I am sorry, the word "general" often implies the invariable practice.

Mr. THATCHER: It either is the general practice or the exception.

Mr. LANGLOIS: Yes, I wanted to know which is the rule and which is the exception.

The WITNESS: I see the ones that come to the board, sir; I do not see those that do not and for that reason I cannot tell you what the proportion would be.

Mr. THATCHER: The better term is "occasionally".

The VICE-CHAIRMAN: Everybody has a term but the witness. Just one minute. Mr. Blue has the floor.

Mr. BLUE: In cases where the lowest tender was not accepted I suppose they take into consideration that he has not the necessary equipment to do the job.

The VICE-CHAIRMAN: That was the point he made, he said that.

The WITNESS: When it comes to the Department of Finance, if the lowest tender has not been accepted we send for the reasons why the contract was not given to the lowest tenderer.

Mr. THATCHER: If what Mr. Bryce said to Mr. Langlois is correct, then I still would like him as a treasury official to tell me whether he thinks that money could have been saved if the lowest tender had been taken in all cases in the last year. I am not casting aspersions on anyone. He must have seen some of these contracts. For instance, were there some buildings constructed for a contract price of \$500,000 when they could have been built for the lowest tender, say, \$480,000?

The VICE-CHAIRMAN: Will somebody let the witness answer a question?

The WITNESS: That concerns the substance of matters that come before the board and I am not sure that it is proper for me to testify as to that.

By Mr. Johnston:

Q. When Mr. Bryce was speaking of contracts, he spoke about the security of the contractor in regard to building, and he said that security is required of a contractor. On major contracts is a contractor required to put up some form of security or is he bonded, or is there just no record of that?—A. A security is required to be given by contractors under various statutes but not all statutes that authorize the government to enter into contracts for this work.

Q. Could you say what type of a contract it is where no security is required, just to differentiate from what you have said there?—A. I could not say from memory just in what cases they are not required. I know, for example, that for a lot of small contracts in recent years involving small amounts of money, it has not been possible to get small contractors who could and were willing to furnish security, because it involved their putting up capital. In some of these cases the various departments or ministers have accepted a security bond from a bonding company.

Q. I would recommend that.—A. It is not general, it has not been regarded as satisfactory as having cash or securities, government securities, for example, deposited.

Q. When I asked my question I said major contracts. You are now referring to smaller contracts. It may be necessary when you consider a small contract, I can appreciate that, but when you come to contracts of say around \$100,000—A. There are many small contracts in tens of thousands of dollars.

Q. I can quite understand one costing \$5,000 or \$10,000 but when you get up to \$50,000, or \$100,000, is it invariably the rule before these contracts are proceeded with that the contractor gives some type of security, as you have suggested?—A. I do not think it is invariably the rule because of difficulties in recent years of getting contractors to undertake work.

Q. Do you mean to say in recent years because of the difficulties of getting contractors to perform this work that even on all the major jobs of around \$100,000 or \$80,000 there has been no protection taken regarding the depositing of security?—A. I would not say there has not been any precaution taken but it is not always possible to find a contractor who would take a contract and furnish security.

Q. Even a \$100,000 contract?—A. It is difficult to speak from memory but I think that would be the case.

By Mr. Langlois:

Q. In the case of public works is it not the general rule to require a ten per cent deposit in bonds of the Dominion of Canada, or bonds of the Canadian National Railways guaranteed by the Dominion of Canada, from any contractor,

to be filed with his tender? Is that not the requirement in Public Works tenders? And is it not also the general practice with all contractors when they purchase materials, and the materials are sent on the spot where the construction work is being done that only fifty per cent is paid in advance and the remaining fifty per cent is paid only when that portion of the work has been completed to the satisfaction of the department, and that even on top of this, before this final fifty per cent is paid, ten per cent is retained as a holdback on the whole contract? In other words the contractor is paid in full only after the whole building or wharf has been completed or approved by the engineer of the department, is that not so?—A. It is usually the case that there are holdbacks. It is difficult for one seeing hundreds of these things a year to say such and such is invariably the case. It certainly is the policy to have a holdback.

The VICE-CHAIRMAN: Mr. Browne.

Mr. BROWNE: Mr. Chairman, I wonder if the witness could breakdown those figures. That is the fourth largest item in the estimates, \$168 million. It would be interesting to know how much of that money is outside of Public Works. The auditor general drew our attention to several votes in the Department of Agriculture estimates and I direct your attention to one item on page 74, where there are only ten people employed in the department. It is listed under science service on page 74. The amount of the item is \$984,950, being for acquisition or construction of buildings and works. Now, there are several other votes in the estimates like that. Do these come before you on the Treasury Board—I mean the applications to construct these buildings—or do they go ahead themselves and build them?

The WITNESS: The proposals for the estimates come before the board.

By Mr. Browne:

Q. I know that, but I am speaking of the work, the letting of the contract? —A. In some cases but not in all cases they may go direct to the Governor in Council.

Q. Could we have a breakdown of that figure, Mr. Bryce?—A. A breakdown of \$984,000?

Q. No, of the \$168 million, by departments?—A. Yes, I should think so, sir.

The VICE-CHAIRMAN: By departments? Did you say by departments, Mr. Browne?

Mr. BROWNE: Yes, by departments. I should imagine he has that information in his files now.

Mr. JOHNSTON: In your answer to Mr. Langlois a moment ago, Mr. Bryce, I understood you to say that it was the practice that fifty per cent of the cost of materials was held back by the government until the work was completed and then a further ten per cent was held back.

The VICE-CHAIRMAN: He did not say that—

Mr. JOHNSTON: Let him tell us what he did say. What did he say to Mr. Langlois?

The WITNESS: What I recall I said was that it was the usual practice to have a holdback on contracts until the work was completed and inspected and it was evident the contract had been satisfactorily carried out.

The VICE-CHAIRMAN: What was your remark in regard to the cost of material that was sent out?

The WITNESS: I could not tell you the exact formula for determining the holdback.

By Mr. Johnston:

Q. Is it not a fact that that may be done in some cases but it is not done in all cases of major contracts? Is it actually a fact that it is not done in all cases of major contracts?

Mr. LANGLOIS: I do not know of any case.

Mr. JOHNSTON: I can tell you some.

The VICE-CHAIRMAN: Just a minute, it is the witness who either knows or does not know. Do you know, Mr. Bryce?

The WITNESS: I would not know whether it is done invariably in all cases of contracts.

The VICE-CHAIRMAN: The witness says he does not know.

Mr. LANGLOIS: Mr. Johnston says he knows of some cases. I would like to know what cases he knows about.

The VICE-CHAIRMAN: The witness cannot answer that question.

By Mr. Fraser:

Q. What control have you on the repairs to the east block where they have spent over a million dollars already? Is that cost plus or do you not check on that?—A. Well, we have seen the items come up in the estimates from year to year.

Q. It is only in the past year that this repair work has been going on.—A. I think there have been estimates for at least two years or more to provide for this work, but my understanding is that it is often exceedingly difficult to get tenders for the repairs of old buildings because until the work is under way it is frequently quite impossible for the contractor to know what the costs are likely to be. He may discover some old beams that are unsound and have to be replaced, and things of that kind.

Q. Is it that they do not have the plans and specifications ready?—A. That is sometimes the case.

Q. It is not likely in an old building like that that a beam may be rotted. In a building like that very few of the beams will be rotten, especially there where they have heat on all the time. It is on the cost plus basis. That is the way some of the building contracts have been let, am I right?—A. There have been contracts on that basis.

Q. Is it cost plus five per cent or ten per cent?—A. It is more often cost plus a fixed fee.

Q. Does your department check on the cost in a case like that?—A. I believe it would be the comptroller of the Treasury, cost division, that would do that.

Q. They have experts in there who know the costs of materials at the present moment?—A. Yes, they have regular cost auditors.

Q. That know construction work?—Yes.

By Mr. Langlois:

Q. To follow Mr. Fraser's questions: in the case of a cost plus contract is it not a fact also that the Treasury Department have their own accountants on the spot where the contract is being carried out to check on this cost?—A. Yes, they have accountants in various parts of the country who are able to go in and make an on-the-spot check.

Q. Is it not also a fact in those cases of costs plus contracts the contractor is supplied by the Treasury Department with a schedule showing the charges he should pay for the rental of a truck, for example, at so much per hour, the rental of a steam shovel should be so much an hour, and that he is closely checked on all these expenditures and has to follow that schedule pretty rigidly,

which is prepared by the Treasury Department?—A. I could not say if there are general schedules to be followed in all cases. I know there have been schedules as to permitted rates in equipment rentals and things of that sort.

Q. That is what I have in mind.

The VICE-CHAIRMAN: Gentlemen, item No. 11 (b). Maintenance and Repairs. I think we have perhaps covered that.

12 (a). "Acquisition or Construction of Equipment."

Mr. THATCHER: Mr. Chairman, one question on that. I was wondering if Mr. Bryce could tell the committee what regulations there are in regard to the operation of motor vehicles? I see in 12 (a) that is included here.

The VICE-CHAIRMAN: Operation or acquisition?

Mr. THATCHER: This is just acquisition? Who can get a motor car in the various departments?

The VICE-CHAIRMAN: I believe you send in a requisition.

The WITNESS: We have, sir, a committee of senior officers that reports to the Treasury Board authorizing either the acquisition of a new car or the replacement of an old car. They review the requests of the department in some detail in terms of the need for the car, and they go over the tenders the various departments receive for the purchase of cars, and authorize the purchase in accordance with the tender.

Mr. THATCHER: Are you on that committee?

The WITNESS: No sir, there are three or four senior officers on it.

The VICE-CHAIRMAN: Do you buy all makes of cars?

The WITNESS: The general practice is to buy the coach models, they being normally the cheapest model, of whatever make is available at the lowest price in the vicinity.

By Mr. Thatcher:

Q. Do they buy those from the various dealers across the country or do they buy them locally?—A. I believe it is true to say of the Department of National Defence, that they buy theirs direct from the manufacturer. They are buying wholesale, so to speak. Some departments buy from local dealers.

Mr. LANGLOIS: They get what is called a fleet rate on those cars?

The VICE-CHAIRMAN: Following the question, ordinarily the cars are bought locally.

The WITNESS: That is right.

The VICE-CHAIRMAN: Except in the case of National Defence who buy them—

The WITNESS: They buy in large contracts.

Mr. LANGLOIS: That is what I had in mind. Even if they buy them locally the local dealer has to give them a fleet rate.

The VICE-CHAIRMAN: For National Defence?

Mr. LANGLOIS: No, for all departments.

The VICE-CHAIRMAN: Anything further?

By Mr. Thatcher:

Q. I was just wondering on the subject of cars, is there a big quantity of cars purchased in a year?—A. There would be quite a considerable number bought in a year. Various departments have quite considerable numbers in all.

Q. I was just wondering, if the Department of National Defence can buy directly at a wholesale price, why the other departments could not do the same?

The VICE-CHAIRMAN: It is to keep people like you in business. I do not think the manufacturer will sell that way. I do not think a firm will sell under those circumstances. Their dealers must stay in business. If the government starts buying on that basis what about the local people?

Mr. LANGLOIS: It is a matter of service.

The VICE-CHAIRMAN: National Defence buys in very large quantities, perhaps, even, a special vehicle.

By Mr. Drew:

Q. What actually is the regulation in regard to the buying of motor cars by different departments?—A. We have regulations, but I could not give them to you from memory. I could provide them to the committee to have them incorporated in the record, though.

Q. I am directing my question to the fact that it has been stated that the Department of National Defence is buying on one basis and other departments on another. This relates back to a question I raised before of the possibility of having a purchasing branch covering all departments. Is there any regulation that you know of that differentiates between one department and another in regard to the manner in which motor cars are acquired?—A. Yes, the regulations require a particular procedure to be observed for purchasing. There is a broad policy to be observed for purchasing cars in general, but this does not apply to the Department of National Defence, which buys through the Canadian Commercial Corporation directly from the manufacturers. Whether there are other exceptions of a lesser nature to that regulation I could not tell you offhand. I know there are occasions when an officer abroad may want a car and it may be possible to buy it more cheaply on the site than to have it shipped out, but at the present time I cannot recollect any exceptions offhand. The reason for making a particular exception is that it is basically a question of policy; the policy of the government has been to purchase its cars locally.

Mr. LANGLOIS: There is also the question of trade-ins. If the department concerned has a car to turn in and it is worth, say, \$600, and that car is located in Halifax, it is better to do business with the Halifax dealer than it is to ship that car to Oshawa or Windsor in trade for a new car.

Mr. FULFORD: It is also a matter of getting service on it. The armed services service their own cars whereas the other departments are dependent on the local dealers and the local service station to service them.

Mr. DREW: If they got that other repair done locally they would be paid for it. Anybody who does it for them would be paid for it. The fact that the army does its own repair work and the others have to get it done for them should make no difference.

The VICE-CHAIRMAN: Is it fair to say that the Department of National Defence would be buying a different sort of vehicle than other government departments ordinarily would buy?

The WITNESS: Not necessarily, sometimes they buy the same type.

By Mr. Richard (Ottawa East):

Q. There is a committee, in any event, in the government that supervises the purchase of cars?—A. Yes.

Q. I have heard of regulations made by that committee to the effect that a car must have gone 100,000 miles before a new car can be bought. Now, we have had the Royal Canadian Mounted Police trying to chase up-to-date cars with a 1939 Plymouth, say, with 50,000 miles on it, and naturally they can get no speed out of that kind of car at all. That is why I have an objection to that committee and their regulations. There should be no such rule to say that there

must be 100,000 miles on a car before it can be traded in.—A. I should say the requirement that a car must have some 100,000 miles before being replaced was a regulation that was put into force when there was a great shortage of cars and a great demand for them, and the government felt it should not replace those old cars as long as it was able to have satisfactory service out of them. Some exceptions were made in the case of the Royal Canadian Mounted Police, for example, where it was pointed out their cars had to be fast.

Q. But the rule still stands?—A. The rule still stands but a number of exceptions have been made.

The VICE-CHAIRMAN: It looks as though the exceptions stand.

By Mr. Macdonnell:

Q. I have an important question to ask. I do not know whether the witness can answer it. I wonder if there is any better means in peace time as compared with war time for regulating the number of cars that staff officers could have? In war time it was a source of indignation to the rest of us to see the way they used motor cars. In Ottawa, the number of cars belonging to the Department of National Defence that I see floating about is quite numerous. Have they any means of rationing that?—A. They do have their own regulations and arrangements, and they would have to testify to that.

The VICE-CHAIRMAN: Staff officers make those regulations, Mr. Macdonnell.

By Mr. Fraser:

Q. Would Mr. Bryce break this down for us? You could break this down for us, Mr. Bryce?—A. 12 (a)?

Q. Yes?—A. By what means would you like it, by departments or major votes where these appear? There are little types of equipment in hundreds of votes.

Q. Departments would be all right. Show what they have got.

The VICE-CHAIRMAN: All right 12 (b). *Maintenance and Repairs of Equipment.*

I think we dealt with that a few minutes ago. No. 13.

The WITNESS: Before we leave 12 (a). A question was asked about it, and I should say that I shall have to ascertain from the Department of National Defence whether there is any objection on security grounds to breaking down the figures.

Mr. FRASER: I would not think they would have any objection to that.

Mr. THATCHER: Before you leave this. There might be a saving that could be made here. We should explore further the Department of National Defence purchasing of cars to find out what it is saving by buying direct from the manufacturer and also why the other departments are not doing that. There might be something worthwhile found by looking into it and I suggest at a later date we go into this in greater detail.

The VICE-CHAIRMAN: The matter will come up in the discussion of the Public Accounts. We will have someone here from the department and you can ask him. 770. 13.

Rentals of Property.

By Mr. Drew:

Q. On this question of rental of property my question on this relates back to the question I asked earlier: Where in the accounts, either in the estimates or in the public accounts, can I find the rental of some of these producing properties to which I referred the other day?—A. Paid by the government?

Q. No, paid to the government.—A. That would come under revenue and I think where we rent a portion of a building that is owned and used by the government you would find it under the department responsible for that building. Normally, Public Works have a building as a whole. The surplus presumably will be held by the War Assets or the Surplus Crown Assets and rented on behalf of the government, and the revenue would come in as part of revenue from the Surplus Crown Assets Corporation.

Q. Does that in any way show a cross entry in relation to the amounts paid out for rentals by the government, or is that separate?—A. Those are the rentals paid by the government for property owned by others and rented for government purposes. We have not set off against that any revenue from rentals. There may be some, because often we may have space available in a government building that cannot be used.

Q. Perhaps this would be the proper point to ask this. Under which of these items will be included the properties to which I referred the other day, such as the mines that the government took over, El Dorado, the aircraft plant and other property of that kind?—A. In assets held by the government. It would be listed as assets, and there would be an estimate to cover them.

Q. Where are they entered?—A. In the accounts.

Q. Yes, but where does one find them?—A. The assets of the government, other than active assets are generally not included in the balance sheet of the dominion, with these exceptions: that loans and investments other than those treated as active are included in the balance sheet, down in the last portion of the assets side of the balance sheet, and the assets created by those expenditures in the estimates that are labelled capital are shown as asset. But there is not a very clear line between other items of expenditures or estimates that create assets.

Q. As I understand it, property owned by the government on behalf of the people, such as the parliament buildings and large public buildings such as the dominion public buildings in cities like Montreal and Toronto are not listed separately in any item in the accounts, are they?—A. The parliament buildings here, sir, are.

Q. Are they?—A. Rather exceptionally.

Q. But this is an exception, is it not?—A. Yes, generally speaking, our public buildings are not valued and listed as assets. The amounts are shown,—I think it is \$30 millions, but I am not certain of that.

Q. I do not want to labour the question now, but of course, if you are looking for it...—A. It is in schedule K on page 17. It is a long schedule. I will have to find it within that.

The VICE-CHAIRMAN: We will leave that as an unanswered one.

Gentlemen, I have a motion to adjourn.

The WITNESS: It is in the middle of that last group on page 18, government buildings, Ottawa.

The VICE-CHAIRMAN: Gentlemen, I have a motion to adjourn.

We will adjourn to meet again on Wednesday, May 10, 1950, at 11 o'clock.

The committee adjourned.

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no. 9

SESSION 1950
HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

WEDNESDAY, MAY 10, 1950

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., LL.B.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



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on
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MINUTES OF PROCEEDINGS

WEDNESDAY, May 10, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Vice-Chairman, Mr. D. A. Croll, presiding.

Members present: Messrs. Anderson, Benidickson, Blue, Boisvert, Brisson, Browne (*St. John's West*), Cauchon, Croll, Drew, Fleming, Fournier (*Maison-neuve-Rosemont*), Fulford, Fraser, Gauthier (*Portneuf*), Hansell, Helme, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspé*) Macdonnell, Picard, Prudham, Riley, Sinclair, Thatcher, Thomas, Winkler, Wright.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed consideration of the summary of the estimates for the fiscal years ending in 1951, 1950 and 1939, and the explanatory notes covering the items detailed therein, tabled by Mr. Bryce on Friday, May 5, and printed as *Appendices A and B* to that day's minutes of proceedings and evidence.

Examination of Mr. Bryce was continued.

Mr. Bryce tabled a statement showing a breakdown of certain items in the summary of the estimates, which is printed as *Appendix A* to this day's minutes of proceedings and evidence.

At 1 o'clock p.m. the Committee adjourned until Thursday, May 11, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

CORRIGENDUM

Minutes of Proceedings, April 25: The name of Mr. Fleming to be included in *Members Present*.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
May 10, 1950.

The Standing Committee on Public Accounts met this day at 11 a.m. The Vice-Chairman, Mr. D. A. Croll, presided.

VICE-CHAIRMAN: Gentlemen, we have a quorum. At the last meeting some questions were asked and Mr. Bryce said he would prepare some answers to them. He has some answers available now for some of the questions, not all, and if you would like—

MR. BENIDICKSON: Before we proceed any further with hearing evidence from the present witness I rise on a question of order and privilege. I was not present at the last meeting of this committee because of fact it was meeting at the same time as the Old Age Pension Committee. However, following my reading the newspapers, I obtained a copy of the stenographic transcript of that meeting. I was astonished to read in the newspaper that in the evidence before this committee it was stated that a hospital in my constituency was constructed by the federal government without calling for tenders. It would appear that this information came from the witness who is before the committee. However, I have checked the transcribed evidence very carefully and I find that the only justification for spreading word of this throughout the country comes from an irresponsible statement by Mr. Drew in about three words, and that is the only justification whatsoever for the newspaper account.

I am a member of the steering committee, Mr. Chairman, and it was my idea that this committee would be calling witnesses from the various departments at certain stages who were able to give us some information about these various things, but I take very strong objection to members of the committee making statements that are not responsible, and I think that they should not be made until we have before us witnesses who can tell us something about these subjects.

MR. DREW: I take equally strong exception to the statement that has been made. We have been trying to get information, with great difficulty, from these records and from the department, and the way to avoid the necessity of complaining about the answers that may be given to questions is to set out all the facts and let us have them; and I certainly do not intend to have my questions here described as irresponsible especially by a member of the committee who was not here.

MR. BENIDICKSON: I have read the evidence and I think if newspaper accounts had been clear that the evidence came from Mr. Drew and not from the witness—

MR. DREW: I was not giving evidence.

MR. BENIDICKSON: I will read it. The witness had already established he was not in a position to give evidence on this subject and then the evidence was given by the leader of the opposition. I will read him the evidence. There is a question by Mr. Thatcher asking Mr. Bryce whether he knows of any case where the lowest tender has not been accepted and this is the witness's reply:

When you say any major building I do not know just what you mean, but there undoubtedly have been buildings built or special construction projects undertaken in recent years where it has not been done on the basis of awarding it to the lowest tenderer.

Mr. THATCHER: Can you tell us of any specific instance?

The WITNESS: No, I cannot do that from memory.

And then, the only justification for the newspaper account is, as I say, evidence given, not by the witness, but by Mr. Drew. He refers to something at Moosonee and then he says:

. . . and tenders were not called for a hospital at Sioux Lookout.

I just want to submit, Mr. Chairman, that if the public had known it came from that source and not from the witness they probably would not have given it any more attention than they did during the last election.

Mr. DREW: Mr. Chairman, we will not get any further if we are going to have these contemptible political comments.

The VICE-CHAIRMAN: Gentlemen, let us both stop using strong words. Every one will admit that we got off the rail a little at the last meeting, we got into departments much before we should have, and we did not have the proper officials; there is no question about that. The one thing, Mr. Drew, I think we must get cleared up for the members of the committee, is that any facts that any member of the committee requires will be made available to him, and every official, as far as I know, is available to come here at the request of the committee and answer for his department. Mr. Bryce came here for the purpose of doing a special bit of work for us, that he was required to do, and I think he is doing it to the satisfaction of the committee. Now, let us get on and complete this memorandum and then we will get into public accounts as agreed in the steering committee. Now, Mr. Bryce has some further information in response to some questions that were asked.

What have you to say, Mr. Bryce?

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, recalled:

The WITNESS: At the last meeting I was asked if I could give the departmental totals, the departmental figures making up the totals of:

Category No. 8: Freight, Express and Cartage;

Category No. 9: Telephones, Telegrams and Postage;

Category No. 11: (a) Acquisition or Construction, of Buildings, Works and Structures.

and

Category No. 12: (a) Acquisition or Construction of Equipment.

We have prepared tables giving the details by the major departments for all of these and I have them here now in mimeographed form to be distributed of the committee wishes to have them.

Mr. FRASER: They will go on the record too, Mr. Chairman?

The VICE-CHAIRMAN: Yes, these figures will go on the record.

(See Appendix A.)

By Mr. Fraser:

Q. Do they properly reflect the figures that appeared on Appendix A?—
A. Yes, sir. I should point out one detail—

The VICE-CHAIRMAN: If there is a detail, wait until we get into it.

The WITNESS: There is one condition to note; in making up this detailed total we found an item we had wrongly classified in the original table and I wish to draw it to the attention of the committee. It is in the table relating to telegrams, telephones and postage and is in respect of the Royal Canadian Mounted

Police. We had classed an item there under all other expenditures and it should have been classed under Telephones, Telegrams and Postage. The correction is noted on this table.

The VICE-CHAIRMAN: Gentlemen, we will now get on. Members of the committee will have an opportunity to look at these figures when they are considering the other matters.

Now we are on No. 13:

Rentals of Property

Mr. RILEY: Mr. Chairman, may I interrupt? I had to attend another meeting at the time the last meeting of this committee was being held and so did not get a chance to ask Mr. Bryce a question regarding 11 (a). I wonder if I may have your permission to revert to that item to ask one question?

The VICE-CHAIRMAN: You see, our difficulty is this, Mr. Riley: we have got thirty items here. After we get through them we have to call Mr. Sellar back and deal with the public accounts, and from there we have to go on to the public accounts themselves.

Mr. RILEY: I do not think it would take any more than a few minutes.

The VICE-CHAIRMAN: Well, go ahead.

By Mr. Riley:

Q. This particular matter has to do with marine construction projects and I am wondering, Mr. Bryce, whether the question has ever been taken into consideration of providing funds earlier in the year to commence marine construction projects that should be started at the opening of the navigation season?—A. Do I understand from that you refer to docks and wharves and things of that nature?

Q. Yes.—A. We endeavour to do that, sir, but there is a difficult problem as to getting the authority from parliament to go ahead.

Mr. LANGLOIS: You mean in getting the authority in time?

The WITNESS: Yes, in time. It is a very real problem when the estimates are only normally passed in June or July. The extent to which departments can proceed on the basis of interim supply is involved. Some projects can go ahead on the basis of interim supply. I know that is a problem which is of some real importance, sir.

By Mr. Fleming:

Q. Is the problem not in the date chosen for the conclusion of the fiscal year? With a fiscal year ending March 31, is it a problem of going ahead with projects of that kind?—A. I am not sure it is that. Unless we radically alter the fiscal year, unless it commences in the fall and have the estimates voted in a session that closes before the fiscal year began. With the parliamentary schedule timed as it is now, the first three months of the good construction season are normally gone by the time the estimates are finally dealt with by parliament.

Q. Assuming the fiscal year continues to end at March 31, could we improve this problem in parliament, with parliament being called to meet normally at the end of January? Can you offer a suggestion as to how we might improve this particular problem?—A. It is hard to say, parliament meeting the time it does. I suppose one conceivable way of dealing with the problem would be to vote the construction votes in a separate vote earlier in the session.

Mr. BROWNE: Last year we had a session in the fall—

The VICE-CHAIRMAN: Let them finish.

The WITNESS: If that were done that would enable those projects covered by such a special appropriation Act to go ahead earlier in the season.

By Mr. Fleming:

Q. You would have to set your estimates up in a different way?—A. You would have to segregate those items relating to construction projects. Not only that, you would have to break down a number of separate items into separate votes.

Mr. PRUDHAM: The same problem exists in relation to work in the far north just as it does in marine construction.

By Mr. Langlois:

Q. Mr. Bryce, you said the other day, if I remember well, that generally speaking your estimates start to be prepared towards the end of the summer, the beginning of the fall. So, if we had a session in the fall at which those estimates could be tabled, that would be the only remedy to the situation dealt with by Mr. Riley and Mr. Fleming, would it not?—A. Well, that would be another remedy, of course. There are several alternatives. One would be possibly taking out those construction items and have them dealt with earlier in the session or having the whole session earlier.

Q. What I have in mind is, is the present situation blamable on the fact that sessions start only in January or February. As far as your department is concerned, the estimates are prepared and ready to be tabled in the fall?—A. We would have to advance our work on them.

In my description of the procedure the other day, I mentioned the start in the departments would be made in the early fall but normally the Treasury Board does not receive the estimates in the case of a few major departments until nearly Christmas time and then it requires some time to go over them itself.

By Mr. Prudham:

Q. Would it be possible to budget for a five-year program or a three-year program in the north?—A. That would be quite a decided change in the general parliamentary practice on which parliament has operated for many years.

By Mr. Langlois:

Q. Following the same line of questioning, the fact that the moneys are voted only in April or May is probably responsible for so many of the lapses that we have in the votes; do you think that is right?—A. Yes, sir, that has been one reason for it.

By Mr. Sinclair:

Q. I do not think it is fair that the impression go out that all construction work is held up, because it is a fact that work such as dredging and maintenance, is covered by interim supply, by votes of one-sixth or one-twelfth, money sufficient for operations in April or May. It is only for work which is let by new contracts that is delayed because the estimates are not approved?—A. Yes, sir, and it varies from project to project and from department to department. It depends on whether it can get started on the basis of interim supply rather than on the basis of full supply.

The VICE-CHAIRMAN: Let us get back to our memorandum.

Rentals of Property

Mr. FRASER: Mr. Chairman, the sheet that was distributed here this morning does not say anything on External Affairs.

The VICE-CHAIRMAN: Would you mind just leaving this morning's sheet out, Mr. Fraser, and let us stick to the memoranda. We will get on to that later on.

By Mr. Fraser:

Q. I was just wondering why External Affairs was not included in the rentals of property in this table we have before us.—A. I am sorry. In which table was that?

Q. In the one that was distributed this morning, the estimates. Is External Affairs included in that?—A. Yes, it would be, sir, in Rentals of Property. Yes, it should be included, External Affairs rentals.

The VICE-CHAIRMAN: It says External Affairs.

Mr. FRASER: That does not cover the whole thing though, does it?

Mr. MACDONNELL: Are we still on No. 13, Rentals of Property?

The VICE-CHAIRMAN: Yes, if you have a question to ask.

By Mr. Macdonnell:

Q. I would draw attention to the huge increase from 1938-39, and I would like to ask first of all: are these all conducted by public works, arranged by public works? We know that in the case of the national revenue, they do some building themselves.—A. If you look on page 4 of the explanatory notes—

The VICE-CHAIRMAN: Appendix D, explanatory notes.

The WITNESS: That shows that the amount provided in estimates of the major departments for rental of buildings. The list on page 4 shows, for instance, Agriculture, \$149,733; Citizenship and Immigration, \$113,820; External Affairs, \$290,650, et cetera.

Now Public Works, of course is the main one. It normally rents office buildings of the government but it does not handle all the rentals paid for the immigration offices or the External Affairs offices abroad.

By Mr. Macdonnell:

Q. What happens in the case of the Wartime Prices and Trade Board, for example, whose operations have greatly shrunk in the last two or three years? You must have had buildings rented for them? What happens to that space?—A. I assume, sir, it would be given up or sublet.

Q. I should not ask the witness that perhaps—it should be referred to later on—but I think that is a pertinent question which I will go into later.

The VICE-CHAIRMAN: I think so, too. I think Mr. Murphy of the department, who will appear before us, will have the answer to that.

By Mr. Fleming:

Q. Perhaps the same answer will be given to this question: could Mr. Bryce, the witness, tell us how much of this rented property is in Ottawa and how much is elsewhere, or shall we leave that for Mr. Murphy?—A. I cannot answer that, and I am not sure that Mr. Murphy could in respect to all the departments, but the estimates themselves indicate it for the buildings of Public Works. If you look in the Public Works estimates you will see the rental items for buildings in Ottawa and the rental items for buildings outside of Ottawa.

The VICE-CHAIRMAN: Anything more on No. 13?

*Interest on Public Debt and Other Debt Charges**By Mr. Fraser:*

Q. Does this include Canadian National Railways debt?—A. No, sir, this would be the dominion's own debt on which we pay interest charges directly.

Q. Does it include government controlled industry?—A. No, sir, this is just our own. That interest and debt charges item is what we pay directly.

Q. Is there any place in this estimate that would show the others?—A. Well, in so far as it is necessary to provide funds to the other companies, that would show up in the appropriate item in the table relating to this, for example, in No. 29.

Mr. MACDONNELL: Interest on Public Debt, and *Other Charges*—what is that?

The WITNESS: The cost of issuing the loans, amortization of bond discount, cost of servicing the public debt through our agencies, and so forth.

The VICE-CHAIRMAN: Nothing further on that, gentlemen?

No. 15:

Subsidies and Special Payments to the Provinces

By Mr. Langlois:

Q. No. 15, Mr. Bryce. Does that include what are known as the statutory subsidies and special arrangements on taxation and special arrangements with Newfoundland? Does that include also the subsidies given to the provinces under national welfare and hospitals?—A. No, these are just the items covered in the Department of Finance votes for general payments to the provinces. I think that is made clear in the explanatory notes—no, I am sorry they do not indicate what is excluded, but elsewhere in the tables we have the payment to the provinces for specific purposes such as the health grants or the vocational grants and things of that sort.

Q. They are under special legislation?—A. They are under special headings.

By Mr. Thatcher:

Q. Is there any amount included in this total for Ontario and Quebec?—A. No, sir, those are the amounts provided for in the agreements now in effect.

Q. So there is nothing in that figure for any of those provinces?—A. No, it is only payments made in accordance with agreements already entered into.

By Mr. Langlois:

Q. Is there anything in these covering the statutory subsidies to Ontario and Quebec?—A. This, of course, does include the statutory subsidies to Ontario and Quebec but not any tax rental provisions.

Q. Statutory subsidies under the British North America Act?—A. Yes.

By Mr. Fleming:

Q. May I ask what these payments would be for, say, for last year and the present year, if a similar agreement had been entered into between Ontario and Quebec as obtained between the Dominion and the other provinces?—A. I am sorry, sir, I could not tell you that offhand. It would depend on what alternatives they chose.

The VICE-CHAIRMAN: Any further questions on No. 15? We will take up No. 16.

Other Subsidies, Grants, Contributions, etc.

Mr. WRIGHT: Does this list include all subsidies paid by the government? I ask that because I understood there was a subsidy paid on the movement of iron ore from Steep Rock Mines and I wanted to know if that was included in here?

The VICE-CHAIRMAN: Yes, it is in here.

By Mr. Wright:

Q. Subsidies on iron and steel. I am asking Mr. Bryce if that is included.—A. The Steep Rock item will be in one of these categories, sir, it should be in

this one, I should think, but it is not large enough now to be one of the prominent items that were taken out here and shown separately. It is covered in the Trade and Commerce estimates.

Q. I also notice under Agricultural Prices Support Account—to recoup losses—in 1949-50, the estimate was \$3,473,295, and in 1950-51 there is apparently no estimate for this. Does that indicate that the Agricultural Prices Support Account is not going to operate this year or does it mean it will operate under a special Act?—A. Last year's figure includes supplementary estimates but this year's figure does not, so I think that may be the clue to the reason.

By Mr. Langlois:

Q. I have a similar question regarding the deficits under the Fisheries Prices Support Act. I see nothing under your various headings regarding this special legislation?—A. Fisheries Prices Support Act; I am not sure that there has been any payment this year to recoup losses there. That could be verified easily, though, by reference to the estimates of last year and this year.

Mr. FLEMING: I do not suppose—

The VICE-CHAIRMAN: Just one minute, Mr. Fleming, wait until he finishes.

The WITNESS: No, I do not see anything in this year for recouping losses there; I would have to look into last year's estimates to see whether it is in there.

Mr. MACDONNELL: Do you—

The VICE-CHAIRMAN: Let him finish, please.

The WITNESS: Yes, if you would look at vote 789 in last year's supplementary estimates on page 4, the further supplementary estimates No. 1, vote 789 in last year's estimates.

The VICE-CHAIRMAN: You would not have that.

The WITNESS: —In last year's further supplementary estimates No. 1, vote 789, there is an item there being the amount required to recoup the Fisheries Prices Support Account, to cover the net operating loss of the Fisheries Prices Support Board during the fiscal year 1948-49, the amount being \$538,989.

The VICE-CHAIRMAN: Mr. Macdonnell.

By Mr. Macdonnell:

Q. There is a big reduction under the heading Participation in International or Commonwealth Organizations (External Affairs), as between 1949-50 and 1950-51. Does that result from a general shrinking in the work that is being done or from a withdrawal on our part from some of the things we have been carrying on?—A. To answer that involves a great deal of detail, but, broadly speaking, it reflects in part an overlapping last year of contributions for certain agencies for more than one year and contributions last year to working capital funds. Also, the funds provided for the international refugee organization whose work is tapering off, are down very materially this year, as you will note in the External Affairs estimates of the current year compared with last year.

Q. You do not know of any cases where there is a substantial withdrawal on our part?—A. No.

Mr. DREW: When you say contributions to capital fund, what do you mean by that?

The WITNESS: Certain international organizations have working capital funds which were set up early in their operations to cover their requirements during the period in which the countries make their contributions. Most of the member countries make their contributions to these organizations during the fiscal year to which they relate.

Mr. DREW: Such as?

The WITNESS: The United Nations itself has a working capital fund, and UNESCO has a working capital fund—I am speaking from memory now—and I think ICIO has a capital fund. We naturally made our contributions to these in the early years of the organizations and it is in that way that they set up their working capital fund.

The VICE-CHAIRMAN: Item 17:

Family Allowances Payments

By Mr. Wright:

Q. I would like to ask Mr. Bryce a question with respect to the freight assistance on western feed grain. I notice the 1949-50 vote was \$17 million and the 1950-51 estimate is only \$5 million of an expenditure. That seems to be a very large reduction on the amount of assistance given on feed grains to eastern and western Canada this year. Was the \$17 million estimate last year all spent or why is this big reduction made this year?—A. Well, sir, if you will look at last year's main estimates, the amount provided there is \$4,750,000 as against \$5 million for the corresponding item in this year's main estimates. This \$5 million is only the amount provided for in the *main* estimates this year.

Q. How much was spent last year?—A. I am sorry, I cannot tell you that offhand. It would be actually more than \$4 million, the balance being provided in the supplementary estimates for that year.

Q. Why would it not be better to place a larger amount in the main estimates rather than leave so much for the supplementary estimates, the way it is done here?—A. The practice has been, I believe, to provide funds in the main estimates up to the end of the crop year.

Q. Oh, I see.—A. And supplementary amounts for the balance.

By Mr. Fleming:

Q. This amount in the main estimates does not indicate any change in policy. We may expect supplementary estimates later on to bring it up to approximately the same figure as last year, \$17 million?—A. That is a question of policy which I would not be able to answer.

Q. You are aware of no change at all. You have pointed out that a part of this \$17 million, approximately \$5 million, was in the main estimates a year ago and the balance was supplementary estimates?—A. Yes, sir.

Q. Assuming there is no change of policy, we have \$5 million in the main estimates now and we can look for supplementaries of \$12 million or so later on?—A. If the same policy were continued in operation as applied last year there would be the supplementaries.

The VICE-CHAIRMAN: Item 17: Family Allowances payments.

Mr. HANSELL: Before we leave this item 16, participation in international or commonwealth organizations (External Affairs), I see there is an amount of \$4 million odd for 1950-51 while in the estimates as they appear in the blue book for this item the amount is slightly over \$2 million only; would Mr. Bryce explain the assistance given there?

The WITNESS: Are you taking into account, sir, the item for the International Refugee Organization which is in External Affairs estimates at the end, I believe, under the heading Terminable Services. I think possibly that makes the difference you have in mind.

Mr. BROWNE: In connection with the subsidies on steamship services, where would that be found?

The WITNESS: The steamship subsidies would be under Transport or Maritime Commission in the regular estimates.

Mr. FRASER: This includes the actual payment, not the additional amount shown there; that would be under No. 5.

The WITNESS: Yes sir, this is just the actual payment authorized by the Act on the best forecast that can be made of actual payments.

Mr. RILEY: On what did you estimate the reduction in the increase in payments under the Family Allowance Act?

The WITNESS: That is a very complicated question in vital statistics; one has to forecast the birth rate in the year in question in relation to the birth rate in past years.

The VICE-CHAIRMAN: Do you think you are qualified to answer that?

The WITNESS: No sir.

The VICE-CHAIRMAN: He says he is not qualified to answer that.

The WITNESS: Our office naturally has to check the forecast that is made by the Department of National Health and Welfare when we are considering the estimates and we go into the statistics with them at that time.

The VICE-CHAIRMAN: But you do not prepare the statistics.

The WITNESS: We put our statisticians on it to check those submitted by Health and Welfare.

Mr. WRIGHT: Referring to a return tabled in the House recently I notice that there were five provinces in which the investigations were carried under the Family Allowance Act by the Social Welfare Department in those provinces on a fixed fee basis I believe of \$5, and in the other five provinces apparently the family allowance people carry out those investigations themselves. Has your department made any calculation as to which one of those methods is the cheapest as far as the cost of carrying out these investigations is concerned?

The WITNESS: No sir. We are aware of the difference but I do not believe the difference arises mainly because of the question of relative costs. I could not tell you which is the cheapest over-all, I am sorry to say; you would have to ask the Minister of National Health and Welfare.

The VICE-CHAIRMAN: Item 18:

Old Age Pensions, including Pensions to the Blind

Mr. FRASER: I take it that that item on old age pensions also includes pensions for the blind? Is that why you put that there?

The WITNESS: We just wanted to make it clear that that included pensions for the blind.

Mr. RILEY: What percentage of that relates to pensions for the blind?

The WITNESS: I am not sure that I can answer that. It may be somewhere in the book here; if it is not, I could not tell you offhand. However, it is quite a small percentage.

The VICE-CHAIRMAN: Item 19:

Veterans Disability Pensions and other Payments under the Pensions Act

That is fairly obvious. I do not think we need spend very much time on that.

Item 20:

Other Payments to Veterans and Dependents

Mr. BROWNE: What is the reason for the substantial drop there in the amount of the payments? I see there is a decrease in the current estimates of \$7 million odd in the 1950-51 provision with regard to rehabilitation, for instance.

The WITNESS: You will appreciate, sir, that there is a steady reduction in the amount of that vote for rehabilitation as the rehabilitation program comes to a close; and, similarly with re-establishment credits, those payments are

of a type which might be called once-for-all payments to veterans which they use in accordance with the provisions of the Act and regulations.

Mr. LANGLOIS: There is also a reduction in war service gratuities from \$1 million last year to \$250,000 for the current estimates.

The WITNESS: Yes.

The VICE-CHAIRMAN: Item 21:

Militia Pensions Act Payments

Mr. BROWNE: Is that a contributory fund?

The WITNESS: Yes, that is a new postwar fund. I am sorry that I cannot tell you very much about it offhand. I think it is a 6 per cent contribution on pay and allowances. I think they put in up to 6 per cent of their pay and allowances, but I cannot tell you just at the moment what the government's contribution is.

By Mr. Macdonnell:

Q. I notice that with regard to the estimates last year and those for 1950-51 you show exactly the same amount with regard to contribution by the government. Is that based in accordance with actual conditions of retirement?—A. I think the requirements of this older part of the Act are relatively well stabilized. I would have to check on the actual details of the estimates but my belief is that that estimate is just for the relatively stable requirements in respect of these pension payments.

Q. Why do you say that? Are all these Militia Pensions Act payments, cases of ancient history?—A. Well, the current one to which servicemen are now contributing is part V of the Act. These payments in question come under parts I to IV which are the older portions of the Act and certain servicemen can elect to remain under the old payment schedules and derive their pensions from that. That is a statutory item with the payment authorized by statute and the amount shown is \$5 million a year which, of course, is a forecast in round figures of the amount expected to be required.

The VICE-CHAIRMAN: Item 22:

Other Pensions and Superannuation

By Mr. Langlois:

Q. With regard to the item there relating to gratuities to families of deceased employees; I take it that these gratuities are paid to the family of the deceased by the government. What class of employee would that cover and under what conditions would such payments be made?—A. That gratuity, I believe, is two months' salary of a civil servant which the Civil Service Act provides shall be paid to families of deceased employees on the death of the civil servant. It is a section of the Civil Service Act. I cannot tell you which number from memory.

Q. That is a statutory item?—A. Yes.

By Mr. Johnston:

Q. I see that in the Royal Canadian Mounted Police pension appropriation there is an increase; would that be the result of their having more employees?—A. Yes, there has been a considerable increase in the numbers of the R.C.M.P., and the number of pensioners would of course increase correspondingly. Of course, as the force grows the number of pensioners will increase in due course.

Q. Yes, and I see it is a fairly substantial item, around \$80,000.

The VICE-CHAIRMAN: Item No. 23:

Government's Contribution to Unemployment Insurance Fund

By Mr. Langlois:

Q. I see you have a contribution into the fund by the government; does that cover the administration which is provided by the government as well?—A. No, this is the statutory contribution to the government as such.

Q. And the government also pays the cost of administration?—A. Yes, the government pays the cost of administration and that is shown under the appropriate headings here; and it also pays a contribution as an employer for those of its own employees who are insured; and that contributions that it makes as an employer is shown under item 30, the third item there; it is the contribution of the government in its role of employer.

The VICE-CHAIRMAN: Item 24:

General Health Grants

Item 25:

Trans-Canada Highway Contribution

By Mr. Johnston:

Q. There is an amount there in connection with the Trans-Canada Highway as an initial contribution; would you explain that?—A. Well, it is hard to forecast. It necessarily has to be a rough forecast as to the amounts we anticipated would be needed under the Trans-Canada Highway Act during the current fiscal year.

Q. Where do you find that?—A. That would be in the Department of Resources and Development, the fifth item down on page 48. It is a statutory item, of course, the statute authorizes the payments.

By Mr. Macdonnell:

Q. What do you anticipate will be the eventual cost?—A. There is a limit set in the statute and there was a discussion in the House at the time.

Q. Is it a fixed amount?—A. I think that is a fixed amount and there are fluctuating rates, dependent on provincial payments.

Q. Would not the federal contribution indicated on page 294, item 48, be higher than that, that seems to be a very small amount for that?—A. My recollection is that the Act authorized \$150 million or something like that over a number of years and the problem was to estimate how much is likely to be spent in this initial year, all subject to various limitations in the Act; and that makes it difficult to assess the amount likely to be required.

Q. But you don't expect that it will be over \$10 million this year?—A. At the time we made up the estimates in February last that was the best forecast we could make at that time. The agreements had not then been signed.

Q. Of course, there might be very substantial amounts now that the agreements have been signed and you have a better appreciation of what the contributions are likely to be.—A. Yes, but there is also the consideration of how much work can be done.

Q. But anything else would be in the supplementary estimates?—A. It would mean that this forecast was inaccurate and you would have a revision. It is not a vote, it is provision made by statute.

The VICE-CHAIRMAN: Item 26:

Movement of Mail by Land, Air and Water

Mr. LANGLOIS: Under item 26 I see you provide for the movement of mail by land, air and water, and under item 16 you provided for mail subsidies to steamships and subventions; what is the difference between these subsidies?

The WITNESS: The item in paragraph 26, the movement of mail by land, air and water, is the actual payments made by the Post Office to the carriers while the other item to which you refer is under the Maritime Commission vote and is not mail subsidies but steamship subventions. As a matter of fact, I believe that the present policy has changed somewhat. You see, under the steamship subventions of some years ago the operators receiving the subsidy were usually required to carry mail free of cost in order to get the subvention. I believe that the present practice is that the steamship subsidies are paid separately. The Post Office pays the shipping company under a contract for the carrying of mail and that is taken into account in arriving at the amount of the subsidy. Also, I believe the present practice is that the amount of the subvention is fixed by the Maritime Commission.

Mr. FULFORD: In determining the amount of the subvention the Maritime Commission would consider the fact that that ship will be carrying some mail; in that case is the payment specifically allotted for the carriage of mail charged to the Post Office?

The WITNESS: No longer. I believe that the subsidies now paid for carrying the mail are taken into account as revenue whereas formerly ships were required as a condition of obtaining the subsidy to carry the mail free.

Mr. RILEY: Mr. Bryce, do you mean to infer that the mail subsidies would not be taken into account in arriving at the amount of subvention?

The WITNESS: No. Formerly mail and other items were carried free by the steamship services receiving a subsidy and at that time the Post Office accounts would not reflect the value to the Post Office of the free carriage of mail by the subsidized steamers. The policy and practice have been changed in recent years. I understand the Post Office Department now makes its own contracts with the steamship companies for the carriage of mail and the subsidies authorized by the Maritime Commission are calculated to take that into account. It is a more accurate accounting arrangement.

Mr. FULFORD: Would the subsidies be reduced by the contracts to carry mail?

The WITNESS: That is a question I cannot answer.

Mr. LANGLOIS: Is it not fair to assume, Mr. Bryce, that when the Maritime Commission fixes the amount of the subsidy it takes into account all the revenues derived from all sources by the operating steamship company?

Mr. FULFORD: No, sir.

Mr. LANGLOIS: And they take into account in their calculations the revenues derived from the mail contracts; is that not the fact, Mr. Bryce?

The WITNESS: I believe it is the case but I would not like to make a categorical statement on it.

By Mr. Drew:

Q. In this item we are now discussing on page 7, under item 26, I notice there is a reduction of \$1 million in the mail service by ordinary land conveyance, including rural mail delivery, the 1949/50 item is \$14,320,000 and for 1950/51 it is \$13,300,000, a reduction of \$1,020,000; would you explain how you were able to estimate a decrease in the cost of ordinary mail delivery of that kind?—A. I believe that was based on the record of actual expenditures as ascertained from the payments in the previous year; but I speak only from memory of the discussion we had at the time this question of the Post Office was before us. I do not know that that is a complete answer, but I think that is the clue.

Q. Then you are not in a position to give us any detail on that?—A. I am not in a position to go beyond my immediate recollection which was that the previous figure of actual expenditures was short of the estimated amount required in the estimates for 1949/50.

Mr. LANGLOIS: You may not be in a position to answer this question, but is it not true that the tenders received over the last twelve months have shown a tendency to be lower than they were before and that since March last there has been a substantial decrease in the amount of tender; would that not account in large part for the reduction which appears in the estimates for the current year?

The WITNESS: I would not be able to say that; I am sorry.

By Mr. Drew:

Q. I was going to ask you in regard to this, Mr. Bryce: this, of course, includes the ordinary working arrangements for the carriage of mail by land, by rail and ship; it covers all the ordinary mail handled by the Post Office; is that it?—A. Yes, sir.

Q. Just as a matter of information does this include such things as the carriage of newspapers by contract where arrangements, or facilities, for other than ordinary postal services are included?—A. If that involves payments by the Post Office Department it should be in there but if it was carried by express—let us say that newspapers were carried by express—it would not be involved.

Q. So I take it then that these figures cover the total cost of carrying the mail which is handled by the Post Office under ordinary stamp arrangements?—A. It would also include surcharged material that is handled by the Post Office and it would include air mail stamp material, but not such things as newspapers carried by express.

Q. You mean by that letters which carry the air mail stamp?—A. Yes.

Q. And you can now pay that by the use of any other kind of stamp as well?—A. Yes.

Q. Then may I ask in the case of mail service by air—I see that during the last year the figure was \$8,228,000 and the estimate is for \$8,335,000, an increase comparatively small of \$107,000. In the examination of that item in the estimates was consideration given to the fact that Trans-Canada Air Lines are seeking a larger contract with regard to the carriage of mail during the current year?—A. This, I believe, is based on the current contract.

Q. On the current contract?—A. Yes.

Q. I just wanted to be sure of that because I know they are negotiating an increase at the present time.—A. Well, sir, this includes not only the Trans-Canada contract but contracts with all the other air carriers. Included in this term are a great many other contracts for the carriage of mail by air.

Q. But the bulk of that would relate to the contract with Trans-Canada Air Lines which I think is in the nature of \$6,500,000.—A. Well, sir, I was just speaking from memory. I saw the figures many months ago among hundreds of pages of figures.

Q. Without giving me the exact figure I think you will agree that that is so?—A. That is certainly the biggest item.

Q. And that the contract with Trans-Canada Air Lines is now a matter of negotiation?

The VICE-CHAIRMAN: Item 27: "*Maritime Freight Rates Act.*"

By Mr. Johnston:

Q. May I ask Mr. Bryce about this item 27? This refers to the special rates provided under the Maritime Freight Rates Act. Would that be a situation comparable to the Crows Nest Pass Agreement, one refers to the west and the other to the east; would that be similar?—A. These are subsidies that we actually pay the railroads for the carriage of freight at the rate provided for in the Maritime Freight Rates Act.

Q. Can you tell me if there is any application being made by the railways now to have the amount increased?—A. I do not know, sir.

Mr. BROWNE: What department does that come under?

The WITNESS: The Department of Transport.

Mr. JOHNSTON: That is what I wanted to know, and if Mr. Bryce cannot tell us we can get that information from somewhere else.

The VICE-CHAIRMAN: What is the question?

Mr. JOHNSTON: If the railways are making an application before the royal commission to have it increased and I was wondering if this figure included an estimate of the increase.

By Mr. Langlois:

Q. Could you give us a breakdown under the heading for railways?—A. No, I cannot, I am sorry. You will find that item set forth in detail in the estimates of the Department of Transport, page 60, about item 494. It gives the companies that get it but it does not give the amount payable to each of those companies.

Q. Would the C.P.R. be the one to get the largest amount there?—A. I don't know, I did not go into that in much detail.

The VICE-CHAIRMAN: Do you want to be supplied with that?

Mr. LANGLOIS: Yes.

The VICE-CHAIRMAN: We will see if they can supply that: a breakdown of item 494.

Item 28: *"Direct Relief and Relief Projects."*

By Mr. Fraser:

Q. On this, Mr. Bryce, the second to the last item on page 7 of the explanatory notes,—Contribution to cost of railway projects—what does that amount of \$850,000 consist of?—A. That is a prewar project, sir, and I am not familiar enough with it to tell you any more than is suggested by the vote. It is under the unemployment relief projects for that year. I presume it was unemployment projects in connection with railway roadbeds or something of that sort.

Q. I am anxious to know why it should be listed under relief? Why would the railway not cover that, the C.N.R. or whatever railway it would come under? Why would it be in here?—A. Well, I am sorry sir, that was done before I was there. It was classed in that way in the estimates of 1938-39. It was classed as a relief project in those estimates and that is why we have included it here.

Q. And that is included even at this time, is it?—A. These are the figures for 1938-39.

Q. What about the 1948-49?—A. They are the pre-war figures.

Q. I see that. Well, now at the bottom of that sheet also, there is an item titled Other items and contingencies, \$1,023,000.

The VICE-CHAIRMAN: Mr. Fraser, those are 1938-39 figures. Suppose you indicate what figure you are interested in. Mr. Bryce, after all was not there, and he says he can get the answer for that, if you like. It does not seem pertinent at the moment.

Mr. JOHNSTON: In No. 28, towards the bottom there are grants-in-aid to the provinces, \$17,500,000. Could you break that down to the aid for each province?

Mr. SINCLAIR: This was given twelve years ago. That is not in effect now.

The WITNESS: Those are pre-war figures.

Mr. JOHNSTON: Those are all for 1938-39?

Mr. THATCHER: Do these figures signify that the federal government has gone pretty well out of the relief field completely?

The VICE-CHAIRMAN: I should say they speak for themselves.

By Mr. Thatcher:

Q. Is there any way that provinces needing relief can come to the federal government, or for things of that kind?—A. Well, the only payments of this kind being made at the present time, as is indicated in here, is the special arrangement made with Newfoundland to effect a transition on to Unemployment Insurance of the people engaged in insurable occupations there.

Q. In other words, today this is not federal government policy?

The VICE-CHAIRMAN: Mr. Thatcher, please do not ask him about policy. Just ask him what you want to know about the figure?

By Mr. Thatcher:

Q. These figures signify, for instance that in the past winter when we had a good many unemployed, the federal government was not doing any federal work of the nature they did in 1949 and 1950.—A. In what relief work, sir?

Q. Those things that you have listed.—A. No.

Mr. SINCLAIR: In 1938-39, you mean?

Mr. THATCHER: I know they were doing it then, but I want to know are they doing it today, and is it government policy?

The VICE-CHAIRMAN: Just a minute, gentlemen. There is no use throwing the word policy into the question. It is not fair to the witness and you are not going to get an answer to a policy question from him.

Ask the question, please.

By Mr. Thatcher:

Q. In this \$1,500,000 of 1950-51 are there any of the items in that contained in 1938-39?—A. No, sir.

By Mr. Langlois:

Q. Could you clarify this question? Is it not a fact that in all these items here under relief, the authority for them was provided by special legislation which has now lapsed?—A. I do not know enough about the law authorizing these projects to say that. I would have to find that out.

Mr. THATCHER: Suppose there is a municipality which has very heavy unemployment and it cannot finance relief. Is there any place they can come to the federal government, or is there any provision made for that under that particular item?

The VICE-CHAIRMAN: Mr. Thatcher, you are now asking something that the witness should not answer. After all Mr. Bryce knows that the municipality has first to go to the province and make its approach to that body. The Prime Minister has made that clear on many occasions in the House, both in the House and out of the House, and that is the usual practice.

By Mr. Browne:

Q. Mr. Chairman, is not this the position? That \$3 million was voted in the estimates for 1949-50 to cover assistance for Newfoundland and that \$2 million was voted in the supplementary supply for the same purpose.—A. Yes, sir.

Q. What were the actual expenditures on that vote in Newfoundland up to the 31st of March?—A. I have not got that. I will get that figure for you.

By Mr. Thatcher:

Q. Where would relief figures be contained for flood relief and fires? Would they be included in these estimates for the coming year?—A. Well, we can not by the very nature of things vote funds in advance for that sort of thing.

Q. The Fraser Valley flood relief of last year, is that included?—A. In 1948 the Fraser Valley relief item was voted a few weeks after the flood emergency. \$5 million was voted in the further supplementary estimates introduced into the House two or three days before the end of the session.

Mr. DREW: As a matter of fact, that is covered in item 30.

By Mr. Langlois:

Q. I do not think the flood was foreseen in the preparation of the estimates last fall. Mr. Chairman, in the detail of item 28, under direct relief, I see that in 1938-39 there was an item of \$17,500,000 covering grants-in-aid to the provinces. What is exactly meant by that?—A. Those were relief grants-in-aid to the provinces before the war as part of the arrangement with the provinces for direct relief of one kind and another.

Q. That would cover then the works done during that period on a fifty-fifty basis, between the provincial and the federal governments. Mr. Bryce would not say why they are not doing that today? Have we a new witness here, Mr. Chairman? I asked a question and I got an answer, but not from the witness.

Mr. SINCLAIR: And a very stupid reply it was, too.

Mr. MACDONNELL: There are a lot of witnesses here today.

The VICE-CHAIRMAN: I think you are quite right.

By Mr. Langlois:

Q. Would these grants-in-aid to the provinces, the item of \$17,500,000, cover those works which were undertaken concurrently by the federal, provincial and municipal governments on a one-third division of the cost to each?—A. I think it would sir, yes.

The VICE-CHAIRMAN: No. 29, gentlemen.

Deficits—Government Owned Enterprises

By Mr. Drew:

Q. Under Deficits, Government Owned Enterprises, there is a very significant difference there. In 1938-39 the amount voted was \$57 million; for 1949-50 it was \$49 million, and for 1950-51 the amount is \$2,713,134. This, of course, covers the Canadian National Railways and Trans-Canada Air Lines. I think you will agree, Mr. Bryce, will you not, that it does not include the actual estimated deficit for the government owned enterprise for 1950-51?—A. Oh, no, sir.

Q. Well, then what happened to this figure under its present form?—A. This figure represents the amounts that are in the Estimates that have been presented to the House.

Q. We actually have the estimates for the deficits of the Canadian National Railway and the Trans-Canada Air Lines, and as I understand them, this readjustment of headings which you have made according to the statement which you gave us earlier, does embrace a total of all the figures in the estimates under other forms which go to make up the estimates now before the House; is that correct?—A. Yes, sir.

Q. I want there to be no doubt about my question and the answer. As I understand it, under different grouping these figures embrace all the items that are now before the House to be dealt with by parliament, is that right?—A. Yes, sir.

Q. Although under different headings?—A. Yes, sir.

Q. Then that being so, may we take it that the estimates now before the House do not include the figures to cover the deficit for the Canadian National Railways and the Trans-Canada Air Lines?—A. No, sir, those are normally provided in the further supplementary estimates at the end of the year.

Mr. SINCLAIR: They are provided for by statute.

By Mr. Drew:

Q. But you will recall when this subject was mentioned on an earlier occasion, you said this was covered by the statement of the Minister of Finance. I know you have nothing to do with policy, but I just want to make absolutely sure that the estimates we are dealing with in the House do not include the figures in any way that show the deficit of the Canadian National Railways and the Trans-Canada Air Lines?—A. No, sir, they have not been put into the estimates presently before the House as yet. Reference was made to that in the budget speech by the Minister of Finance and account is taken of those in anticipating the surplus or deficit account.

Q. The reason I am interested in this is that these figures were prepared and presented to us only a few days ago, and actually we have had the estimates of the deficit for the Canadian National Railways and Trans-Canada Air Lines for over a month. In the case of the Canadian National Railways I have the estimate before me. They estimate a deficit of \$44,000,000 and in the case of Trans-Canada Air Lines, they estimate a deficit in 1950 of \$1,243,000. Those two figures would amount to a total of \$45 million. Have estimates already been presented to us over and above the deficit figures shown in this case?—A. Yes, sir, but you are using the word "estimates" in two different senses. We use it here in the formal parliamentary sense of estimates presented by the Governor General to the House, whereas in speaking of the estimates of the deficits presented in the other committee I take it that is a forecast, an "estimate" used in the sense of a forecast.

Q. But that, after all, I assume, is what any estimate is?—A. Yes, except when they become formalized in the book of estimates they are then a request to parliament for supply as well as a forecast of requirements.

Q. I recognize you cannot make any statement in regard to matters of policy, but I am putting it on the ground simply of accounting. Can you see any practical difficulty in the inclusion in the estimates of the estimate of the deficit of the Canadian National Railways and the Trans-Canada Air Lines when their fiscal year, as a matter of fact, ends three months ahead of that of the other departments who are presenting their estimates?—A. From purely an accounting point of view there is only one major difficulty, but it is of very great importance. Their deficit—the Canadian National Railways' deficit, for example—is the difference between two very large figures, their total revenue and their total costs. Forecasting the difference between two very large figures is exceedingly hazardous. Any figure that would be put into the book of estimates in February would be open, I think, to a very much larger element of uncertainty than most of the estimates for departmental operations, which are not the difference between such large figures as the deficit figures of the Canadian National Railways and the Trans-Canada Air Lines.

Q. But I would point out, Mr. Bryce, that whereas in the case of the government departments the business year ends on March 31st, and therefore does not make it necessary to project the figures for the coming year without having the total figure for the year before in many cases; in fact, I should think in practically all cases. In the case of the Canadian National Railways and the Trans-Canada Air Lines, their fiscal year ends on the 31st of December, so that by the 1st of February they have already had a month in which they have the final figures for the whole year, and from the point of view of accounting I think it would be much simpler for them to present their estimates of anticipated financial position for the coming year than it would be for the government departments.—A. That consideration offsets the other I mentioned. The present arrangement for handling the estimates is one that has been traditionally in

effect for a great many years. If we wish to try the other system it would be in the nature of trying to make a forecast sufficiently well in advance to present to parliament a formal estimate that could be supported.

By Mr. Sinclair:

Q. Is there not one significant difference in presentation of the Canadian National Railways and Trans-Canada Air Lines budgets and the others? The Canadian National Railways and Trans-Canada Air Lines capital budgets each year must be formally voted by parliament in a special Act of parliament which does not obtain with the departmental deficits.—A. The Canadian National Railways Capital Financing Act is voted each year.

Q. And the deficit too?—A. The deficit is voted as a vote in the estimates at the end of the year. Those figures are the figures voted in the further supplementary estimates.

By Mr. Langlois:

Q. Following Mr. Drew's question—I may be wrong on this—but is it not a fact that though the Canadian National Railways fiscal year ends on the 31st of December their books are audited much later because we have to seek the authority of parliament under the Railway Act to appoint the auditors, and I think in the case of this year, this authority was given by the House only some ten or fifteen days ago, and I do not think the audit of their books has taken place yet. Is there anything in that?—A. I imagine the appointment of the auditor is in respect of the future year rather than of the past year.

Q. Are you sure of that?

The VICE-CHAIRMAN: He is never sure. I am sure that is right except they are never sure of their jobs until Mr. Sinclair sits down and starts passing the appointments.

By Mr. Thatcher:

Q. I wonder if Mr. Bryce in considering this Canadian National Railways' deficit could say whether the Treasury Board has lately considered Mr. Donald Gordon's proposal on the capital structure at all?—A. I could not say that, sir. It would not be correct.

Mr. JOHNSTON: That proposal has already been withdrawn, has it not?

Mr. THATCHER: I wonder if you can tell me this. In connection with the Hudson's Bay Railway, they forecast a deficit of \$400,000, and Churchill Harbour forecast a deficit of \$203,000. Some people in the west think if those facilities were used a little more frequently they could stop that deficit. Has the Treasury Board ever made any recommendations along this line?

The VICE-CHAIRMAN: Mr. Thatcher—

Mr. THATCHER: Mr. Chairman, for goodness sake—

The VICE-CHAIRMAN: Go ahead.

Mr. THATCHER: You wanted us to see where money might be saved. I think that if the Hudson's Bay Railway was used a little more we could save some money there. Is that an unreasonable suggestion?

The VICE-CHAIRMAN: You asked him a question as to whether recommendations have been made for further use of the harbour. How does he know about these things? He is a man who deals with figures and he is here to explain them.

Mr. THATCHER: I think the Treasury Board would be interested in having suggestions on any item on which money could be saved, and I think they would be interested in this suggestion.

The VICE-CHAIRMAN: Your suggestion will be noted. I suppose the Hudson's Bay Railway as well as Churchill Harbour is under the Department of Transport. That will be a very appropriate question to the minister or to the deputy minister who will be here.

By Mr. Langlois:

Q. This summary of expenditures of special categories bears no date. I understand it was prepared at the request of a member of the Senate Finance Committee. Could Mr. Bryce tell us the date the work was started in that connection?—A. It was started about Easter, just before Easter, and carried on until the two days before it was presented to the committee.

Q. Would that work have been started before the deficit figures of the Canadian National Railways became known, or the deficit figures of the Trans-Canada Air Lines were made known to members of parliament?

The VICE-CHAIRMAN: I do not know whether he knows what members of parliament know, Mr. Langlois.

By Mr. Langlois:

Q. I think, Mr. Chairman, it is a very appropriate question because the votes on these deficits were not mentioned in the summary and that was questioned and criticized, and I would like to know if that work was only started before parliament knew about those deficits?—A. It was started about the same time, but I cannot remember what day it was.

Q. We should be able to trace that date somewhere, when it was made known to the House or to the Transport Committee, and then you will have a very good reason why it was not mentioned there.—A. The main reason is that this is an analysis of the estimates that are in the estimate books and the estimate book was introduced into the House long before the Canadian National Railways budget was made known.

The VICE-CHAIRMAN: Gentlemen, we are now on item No. 30, All Other Expenditures.

By Mr. Fraser:

Q. Just a minute, Mr. Chairman. When the estimates were compiled they would know at that time, though, what interest was going to be due on their debts and that should or could have been put in that \$22 million; that could have been included, could it not? There would be no change in it. The fixed debt or fixed charge on the debt could have been and should have been in there.—A. Unless, of course, things change so radically that the railway was itself able to cover that out of earnings.

Q. Cover the \$22 million?

Mr. SINCLAIR: As it did in the war.

Mr. LANGLOIS: The estimates are prepared in the fall or early in June and the fiscal year of the Canadian National Railways ends the 31st of December, so we do not know when they are prepared; the Treasury Board does not know what the Canadian National Railways' report will contain.

The VICE-CHAIRMAN: Gentlemen, we are getting off the track again.

Mr. DREW: Let us not leave any confusion on that point. The Canadian National Railways and Trans-Canada Air Lines are three months before the departments of government in the preparation of their estimates. It is not a case of arguing with the witness, but since we are discussing this I would point out that they have only the finished figure of the year before them to present their estimates. Simply as an observation in relation to this discussion I would say they are in a very much better position to make their estimates for the coming year than other departments.

Mr. LANGLOIS: It would be up to them to send their estimates to the Treasury Board. That would be my suggestion.

Mr. FRASER: In item 29, would such government owned plants as Polymer have their figures in here?

The VICE-CHAIRMAN: Are we on No. 29?

By Mr. Fraser:

Q. Government Owned Enterprises.—A. No, sir, that relates to that category of government owned enterprises that have been traditionally labelled as such in the estimates. I think it is fair to say that there are government owned enterprises now that are listed under different departments. To that extent this title is misleading.

Q. Those plants do not come in under this item?—A. If you would look, for instance, on the next page under category 30—

The VICE-CHAIRMAN: We will come to that.

Mr. SINCLAIR: Item 29 is a list of deficits. Polymer at the moment has no deficit.

Mr. FRASER: But it might be some other companies that the government owns that would show that deficit.

The VICE-CHAIRMAN: That could not be, Mr. Fraser.

Mr. FRASER: That is quite a substantial one there.

The VICE-CHAIRMAN: Let us get on to No. 30:

All other Expenditures

By Mr. Drew:

Q. Under No. 30, we have here the embracing statement of all other expenditures and that is explained on page 9 of the supplementary memorandum. We now reach this point, and it would seem appropriate for the purpose of understanding the overall breakdown that we have, if I asked the question now, it would clarify just where certain items appear. Where in those items do the expenditures on weapons and aircraft and things of that kind for the Department of National Defence come in?—A. That would be under equipment.

Q. Equipment for National Defence. Would that be under the broad title of equipment?—A. Yes, 12 (a), equipment, and you will notice in the sheet I distributed that National Defence is by far the largest item in that.

The VICE-CHAIRMAN: We will come to that, gentlemen, after we finish item No. 30. Then we will deal with these sheets.

Anything further?

By Mr. Drew:

Q. On item No. 30. One of the items making up the total of \$82 million is National Defence, undistributed items. What is the explanation of that figure \$23 million for that item?—A. These are a lot of items in National Defence that do not just seem to fit into other categories.

Q. When you use the term "undistributed items" do you mean by that items you have not allocated under these other headings?—A. That is right.

Q. In other words, it does not mean that the allowances made have not been distributed in the form of payments, it means they have not been allocated under any other heading?—A. That is right.

Q. This would include such items as what?—A. I should be able to answer that but I cannot.

Q. I am not in any way critical, but this is a large figure.—A. I will get an explanation of that. It may include some items which the Treasury Board have said that it would not allot to specific projects before they were re-examined. The National Defence items are large and contain all sorts of expenditures on specific projects which the board may wish to review in more detail than they can during the consideration of the estimates and we sometimes have in them what we call allotments subject to allocation by the Treasury Board itself.

The VICE-CHAIRMAN: Suppose we leave that until the time comes when the officials are here.

Mr. THATCHER: What accounts for the increase?

The WITNESS: There are two things, the increase in the convict population and the increase in the cost of food and other supplies.

Mr. THATCHER: Is any consideration being given to exploring the possibility of these convicts being engaged in occupations which might help to reduce this item of cost?

The WITNESS: Yes sir, we examined into that, and we take into account the extent to which the penitentiaries can be made self-supporting.

The VICE-CHAIRMAN: Are we through with item 30?

Mr. DREW: No.

By Mr. Drew:

Q. Under paragraph 30 I see an item of \$3,104,500 for the Federal District Commission, including the national capital fund; does that include the purchase of properties by the Federal District Commission; I mean, the purchase of real estate?—A. It does indirectly, sir. The estimate comes under the Privy Council office and I think it will be found at page 38, vote 280, "to authorize payments of the third instalment to a special account of the consolidated revenue fund, known as the national capital fund, established under vote No. 809. Appropriation Act, No. 4, 1947-48. \$2,500,000." These moneys are paid annually into that fund and accumulate from one year to another and may be paid out in payments for real estate such as you have mentioned.

Mr. PICARD: Is there any reason it would not be under 11 (a), the acquisition or purchase of property?

The WITNESS: For this reason I think, sir, that this does not represent the actual payment for property or the purchase of land in a particular year. This is a payment made into a fund from which the payments out are not dependent on the estimates for a particular year. We considered whether we should classify it under the other item or this one. Difficulty arises from the fact that it is an indirect payment into this fund and then out again.

Mr. MACDONNELL: Where do you find the expenditures made?

The WITNESS: They would be in the public accounts, sir, for the year in question. It would show the status of the fund, in payments and out payments.

Mr. DREW: Well then may we take it that any land that has been purchased for the Federal District Commission would have been purchased or will be purchased during the current year from the accumulated capital fund of the Federal District Commission and not under general item 11 (a) which provides for the purchase of land?

The WITNESS: Yes, sir.

The VICE-CHAIRMAN: Have we finished with paragraph 30?

Mr. DREW: No, Mr. Chairman, I have some more questions I would like to ask about that.

The VICE-CHAIRMAN: All right.

By Mr. Drew:

Q. Also under this item I see that there is an estimate of \$1,600,000 for research and development—civil jet planes. Now, I am not asking a question as to what that covers but I am asking this question: whether that refers to other items which suggest that there are also payments for the development of military jet engines. Do you know exactly what is covered by this \$1,600,000 for research development in connection with civil aircraft?—A. That is an item in the estimates of the Department of Trade and Commerce.

Q. On what page?—A. Page 54, vote No. 446. It is to provide for research and development on jet engines and aircraft.

Q. You see what struck me was that this refers to aircraft engines and my simple suggestion is based on a question of fact which we all know and have had an opportunity to see, the C.F.-100, which I understand is also a contribution for development and I wondered if these are separate items.—A. Yes sir, the military item is included in Defence estimates so I put the word "civil" in here to distinguish.

Q. That is exactly what I thought. This \$1,600,000 which relates to the development of jet engines and aircraft at Malton covers only the civilian development and whatever allocation there is for military development will be in the Defence department and not under Trade and Commerce?—A. Yes sir.

By Mr. Langlois:

Q. Is any portion of this item being spent through the National Research Board or any similar agency?—A. I believe not, sir; I believe this covers the contract with the particular company doing this work.

Mr. DREW: Just to follow that through, would it be possible—possibly, the official of the department might be in a better position to tell us this than you would be—do you know what the corresponding item is for military development?

The WITNESS: No, I haven't got that. Whether it is a figure that they would not reveal on grounds of security or not, I do not know; in any event, I do not know it. You see, to reveal that item might disclose the extent of their activities in that field.

Mr. MACDONNELL: There is an item there of \$1,277,000 for representation abroad; I wonder if you could tell us something about that. Where do we find that by the way?

The WITNESS: If you will look under External Affairs votes, page 114 and over the page, you will note at the bottom of that whole group of items there are a series of very substantial items, capital items—new office buildings or the purchase of premises—and certain items for equipment which are undistributed in the sense that we could not readily allocate them to any other categories in this table. That is what it is intended to mean.

By Mr. Drew:

Q. Well now, exactly what is that; is that the smaller items?—A. They are the items at the foot of that table for the totals of representation abroad?

Q. Representation abroad?—A. Yes sir, relating to the vote for representation abroad. If one looks at the primaries given there, there are a number that do not fit into any of our categories, and these items total up I believe to this amount, although I did not select them myself and put them in here, still I take it that is the principle they were working on.

Q. Also in item 30 there is Canadian Arsenals with a figure of \$2,900,000. Would that be the replacement of plant or is that the construction of a new plant?—A. Yes. That, I think, relates to last year. You will notice that the figure for 1949/50 is a substantial one, substantially over this year. You will recall that they had a serious fire loss there.

Q. That is correct.—A. That was in Quebec, at Valcartier, and parliament voted funds to meet the cost of replacing that. We voted the funds there to our subsidiary company and they extended them.

Q. What is the subsidiary company?—A. Canadian Arsenals Limited. Again, it is a question of whether we should show it as a portion of this item or under the one relating to the construction of buildings and works, but in this case it was a payment to a company.

By Mr. Macdonnell:

Q. Is Canadian Arsenals on the same basis as Polymer?—A. Yes, sir.

Q. And if you voted any moneys to Polymer they would come in here?
—A. Yes.

Br. Mr. Drew:

Q. And I see another item here, an explanatory note, "balance made up of smaller items detailed throughout the estimates in amounts varying from a few thousands to not more than the smallest items detailed above", and I notice the total of this is \$25,690,000, which would indicate that the types of items covered might be substantial in amount.—A. I am sorry that I did not bring along examples of that. We can pick out examples and give them to you. You will notice that the items above are items of \$1 million or more. Where we had little items that did not fit into those categories we just grouped them all down here, and these are all items of \$1 million or less.

The VICE-CHAIRMAN: Would you like to have a breakdown of that?

Mr. DREW: Yes, I would like to have examples.

The WITNESS: You mean of what would be included in this item?

The VICE-CHAIRMAN: Yes.

Mr. DREW: As to the type of items. We have before us so far as I know for the first time a breakdown under this type of headings and I think we should be able to see whether we think this could be still further improved or otherwise, and it will help us to do that if we have an indication of the type of item involved under this heading.

Mr. PICARD: Perhaps I might point out that this is the first time material of this kind has been put before us in such complete detail and I think that we should give special consideration to the matter of whether or not an improvement can be made with respect to the grouping of items.

The VICE-CHAIRMAN: I think all the members sitting around the table who have followed this are very much impressed with the material and the information given by this very competent witness.

Now, this morning, Mr. Bryce brought items that related to paragraphs 8, 9, 11(a) and 12 showing a breakdown of those sections. Do you think we should take them up now or would you prefer that we adjourn and have an opportunity of studying the material?

Mr. DREW: I think there are some of these figures which could be examined now. I am entirely agreeable to whichever course you follow. There are some items on which I would like to ask questions, but on the other hand the members may prefer to adjourn now.

The VICE-CHAIRMAN: Shall we go on for a few minutes?

Mr. DREW: Then shall I ask questions on this?

The VICE-CHAIRMAN: All right.

By Mr. Drew:

Q. Dealing now with paragraph 8 and the material supplied to us this morning by Mr. Bryce and taking the item relating to the Department of Finance, we find that freight, express and cartage rose from a figure of \$33,900 in 1938/39 to \$114,000 for 1950/51; what is the explanation of an increase of that kind in the Department of Finance expenditures under that head?—A. I think I have a fair idea of it, sir, but I just wanted to check here and see.

Q. Yes.—A. The big item there is the express on coin silver and bullion shipments which for the current year is \$75,000. It was \$100,000 last year.

Now, you will note that that explains a large part of that item; and, of course, it will be very much less before the war because the amount of silver and bullion shipments was much less.

Q. Does that include the express on that?—A. The express on coin and bullion shipments.

Mr. LANGLOIS: Was there an increase in the freight rate on these items?

The WITNESS: These would be express rates. There has been some increase but I do not know how much it is. That would be really a question to discuss on departmental estimates of this department.

Mr. MACDONNELL: I see there is a very considerable jump in the item for freight, express and cartage for the Department of Transport?

The WITNESS: Of course, the activities of that department have increased tremendously.

By Mr. Drew:

Q. What kind of activities would that involve? While the activities of the department have increased very considerably, would that increase in activity involve such an increase of freight, express and cartage expense?—A. They had relatively little in the way of airfields and so forth in prewar years where now they have not only a large number of airfields but services extending into the far north for which they are responsible—weather stations and things of that kind.

Q. Is the actual operation of the facilities of the airports included in this item of Transport Department under freight, express and cartage?—A. Those that are appropriate to that heading would be there, yes. The Transport vote includes the operation of the airports, including, for the last two years, Gander in Newfoundland.

By Mr. Macdonnell:

Q. But would freight, express, and cartage be included in the servicing of the airport?—A. When we have to ship supplies and equipment up to the northern airports, for example, or to any of the airports from outside, it should come under this heading.

By Mr. Langlois:

Q. Would that also include freight service to the North Pole, to those Department of Transport stations up there? You remember that three years ago the Nascope which used to do that type of transport was lost. That ship has not yet been replaced, although I understand another one is being built. So I think the Department of Transport had to resort to other means of transportation which cost the department more.

The VICE-CHAIRMAN: There is a reduction from 1950-51 in the amount of \$177,000. But the question which Mr. Macdonnell had in mind was a comparison with the figure of ten years ago.

Mr. LANGLOIS: I understand the loss occurred about three years ago.

By Mr. Drew:

Q. Take any figure there. That gives rise also to a question as to the break-down of it. In 1938-39 the freight, express and cartage estimate as a requirement for the Department of National Defence was \$166,000, whereas this year it is \$4,900,000.

The VICE-CHAIRMAN: But there is a reduction.

Mr. DREW: Or a reduction from last year.

The VICE-CHAIRMAN: Of a couple of million.

Mr. DREW: Approximately \$1,800,000 from last year.

The VICE-CHAIRMAN: Yes.

By Mr. Drew:

Q. But it is, on the other hand, about thirty times as much as in 1938-39; and I am interested to know what would suggest such a tremendous increase from 1938-39 to 1950-51, to say nothing of the increase from last year.—A. The more we get into the details, the more I must defer to departmental authorities who would be able to give a proper explanation.

Q. You would prefer to leave it for others?

Mr. LANGLOIS: There is an explanation of this, I think, if you will look at item 3 of the "Summary of Estimates". There you will see the pay and allowance figures of the Defence Forces and R.C.M.P. in 1938-39 as being \$15,355,455, while in 1950-51 it went up to \$131,689,714.

Mr. DREW: But that does not quite explain it because while there are differences in the permanent establishment, the differences in the non-permanent establishment are not so great. In fact, I think that the non-permanent establishment was larger at that time.

The VICE-CHAIRMAN: He means that we have got a mobile army here.

Mr. DREW: The witness has frankly said that one of the departmental officials can give the information.

The VICE-CHAIRMAN: It is getting close to 1 o'clock. We shall now adjourn until 4 p.m. tomorrow and try to finish with Mr. Bryce.

The committee adjourned.

APPENDIX "A"

8. FREIGHT, EXPRESS AND CARTAGE

Service	1950-51	1949-50	1938-39
	\$	\$	\$
Agriculture	119,615	108,320	69,178
Citizenship and Immigration	73,495	—	—
External Affairs	27,350	28,950	—
Finance	114,000	150,275	33,900
Fisheries	22,084	16,412	—
Labour	72,000	62,800	—
Mines and Resources	—	229,773	47,723
National Defence	4,908,540	6,774,730	166,700
National Health and Welfare	145,150	111,650	—
National Revenue	260,000	265,000	199,000
Pensions and National Health	—	—	37,250
Resources and Development	114,155	— ^x	—
Royal Canadian Mounted Police	118,900	111,800	56,000
Trade and Commerce	186,820	184,620	17,840
Transport	488,348	635,806	10,450
Veterans Affairs	90,500	116,100	—
Other Items	5,500	4,450	1,784
	<hr/> 6,746,457	<hr/> 8,800,686	<hr/> 639,825

9. TELEPHONES, TELEGRAMS AND POSTAGE

Service	1950-51	1949-50	1938-39
	\$	\$	\$
Agriculture	191,918	171,893	85,677
Citizenship and Immigration	131,625	—	—
Civil Service Commission	10,000	10,000	—
External Affairs	433,200	492,050	—
Finance	1,639,900	1,124,250	33,000
Fisheries	77,376	81,532	—
Labour	684,875	621,550	13,650
Legislation	3,500	2,700	2,500
Mines and Resources	—	162,450	43,165
Mines and Technical Surveys	3,800	—	—
National Defence	1,968,944	2,181,641	62,932
National Health and Welfare	149,210	147,860	—
National Revenue	990,150	923,850	143,850
Pensions and National Health	—	—	62,424
Post Office	65,550	60,550	39,000
Public Works	—	—	104,285
Reconstruction and Supply	—	9,500	—
Resources and Development	49,180	—	—
Royal Canadian Mounted Police	*(334,080)	367,080	—
Secretary of State	3,500	3,500	3,885
Trade and Commerce	188,225	210,432	40,800
Transport	1,595,140	1,958,061	323,330
Veterans Affairs	408,250	441,500	—
Other Items	1,600	1,670	1,750
	<hr/> 8,595,943	<hr/> 8,972,069	<hr/> 960,248
	<hr/> (8,930,023)		

*This amount of \$334,080 for 1950-51 described as "Communication Services" in the Estimates was inadvertently omitted from item 9, "Telephones, Telegrams and Postage" in the general Summary and was included instead in item 30, "All Other Expenditure".

**11(a) ACQUISITION OR CONSTRUCTION OF BUILDINGS,
WORKS AND STRUCTURES**

Service	1950-51	1949-50	1938-39
	\$	\$	\$
Agriculture	14,985,774	13,146,270	3,695,657
Citizenship and Immigration	4,565,855	—	—
Finance—National Battlefields Commission	—	—	100,000
Fisheries	783,330	523,950	53,600
Justice—Penitentiaries	887,480	957,075	192,395
Mines and Resources	—	18,493,184	3,904,446
Mines and Technical Surveys	16,500	—	—
National Defence	36,265,257	50,405,732	4,261,050
National Health and Welfare	2,311,250	2,863,300	—
National Revenue—			
Department	427,000	147,500	—
International Short Wave Broadcasting Station	—	1,612,681	—
Pensions and National Health	—	—	59,500
Public Works	61,431,500	68,118,900	14,560,749
Reconstruction and Supply	—	2,000,000	—
Resources and Development	13,482,390	—	—
Royal Canadian Mounted Police	1,459,885	299,400	8,000
Trade and Commerce	3,989,668	3,446,609	160,279
Transport	20,410,816	24,264,729	7,324,389
Veterans Affairs	4,535,000	5,560,018	—
Government Owned Enterprises—			
National Harbours Board	3,024,000	5,945,000	1,510,500
	<u>168,575,705</u>	<u>197,784,348</u>	<u>35,830,565</u>

12(a) ACQUISITION OR CONSTRUCTION OF EQUIPMENT

Service	1950-51	1949-50	1938-39
	\$	\$	\$
Agriculture	1,239,744	1,365,353	248,487
Citizenship and Immigration	817,578	—	—
External Affairs	165,000	225,000	—
Finance, including Royal Canadian Mint	60,000	128,815	35,248
Fisheries	334,328	629,663	150,000
Justice—Penitentiaries	310,720	376,760	82,100
Mines and Resources	—	4,586,698	176,759
Mines and Technical Surveys	889,680	—	—
National Defence	129,412,691	116,215,375	12,265,086
National Health and Welfare	663,500	876,225	—
National Revenue	41,100	41,100	3,000
Pensions and National Health	—	—	88,550
Post Office	2,231,300	2,439,300	636,650
Public Printing and Stationery	28,200	355,700	27,000
Public Works	3,251,600	3,935,600	348,390
Resources and Development	790,244	—	—
Royal Canadian Mounted Police	371,090	327,790	254,500
Trade and Commerce	1,260,615	1,052,033	63,567
Transport	5,133,638	8,395,445	418,625
Veterans Affairs	675,000	990,000	—
Other Items	—	2,350	—
	<u>147,676,028</u>	<u>141,943,207</u>	<u>14,797,962</u>

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SESSION 1950

HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

THURSDAY, MAY 11, 1950

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister of Finance

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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1950



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MINUTES OF PROCEEDINGS

THURSDAY, May 11, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Balcer, Boisvert, Boivin, Browne (*St. John's West*), Cauchon, Cavers, Drew, Croll, Kirk (*Digby-Yarmouth*), Major, Macdonnell, Picard, Richard (*Gloucester*), Richard (*Ottawa East*), Riley, Robinson, Thatcher, Warren, Wright.

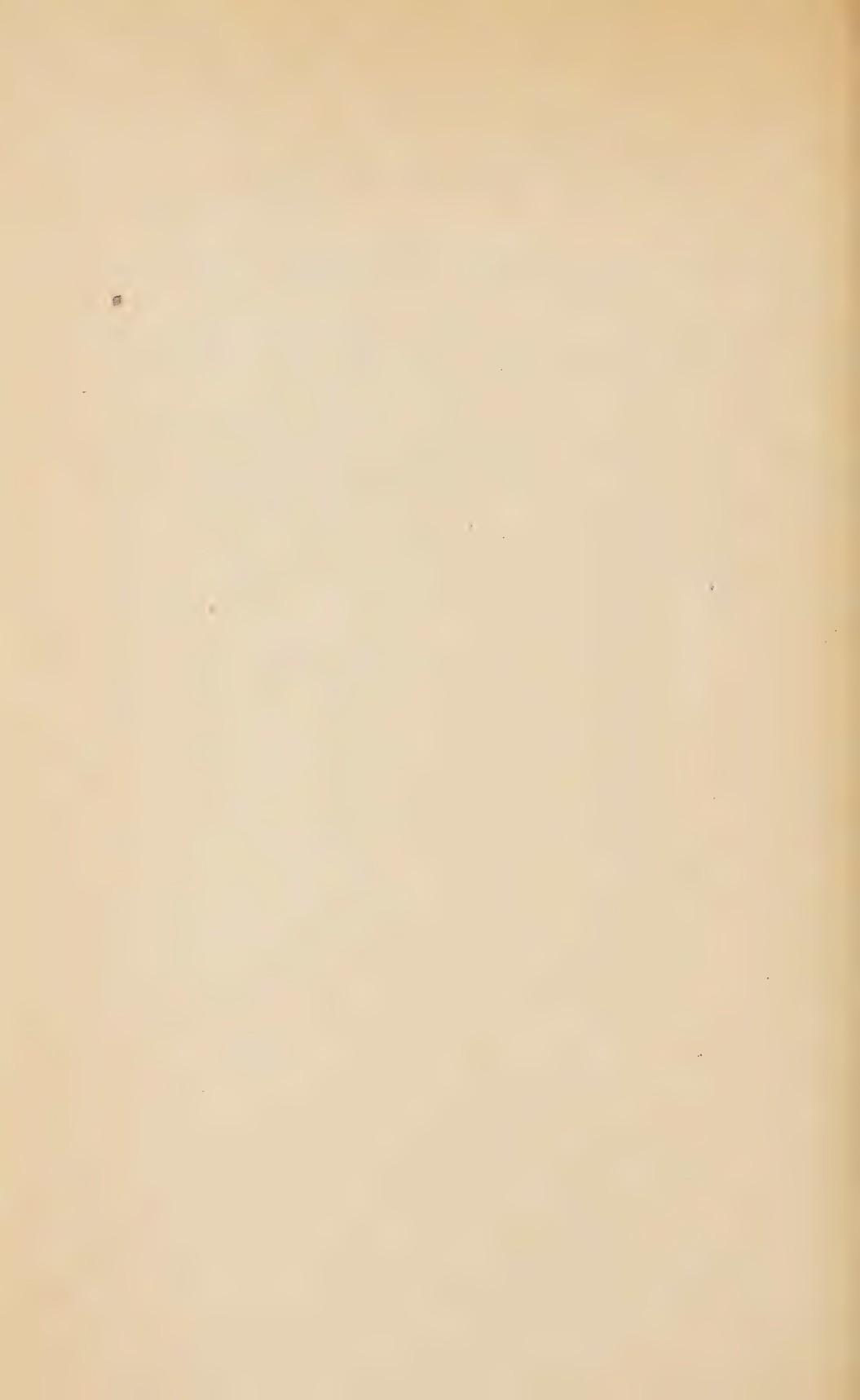
In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed consideration of the summary of the estimates for the fiscal years ending in 1951, 1950 and 1939, and the explanatory notes covering the items detailed therein, tabled by Mr. Bryce on Friday, May 5, and printed as *Appendices A* and *B* to that day's minutes of proceedings and evidence.

Examination of Mr. Bryce was continued.

At 6 o'clock p.m. the Committee adjourned until Friday, May 12, at 11 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.



MINUTES OF EVIDENCE

HOUSE OF COMMONS,

THURSDAY, May 11, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, our quorum is complete.

Mr. DREW: Do you include me?

The CHAIRMAN: We were waiting for you.

Gentlemen, may I remind the committee again, to make sure that there is no mistake, that we are not yet on the public accounts. I have read the evidence of the last two days and I see that many questions were asked on the public accounts and that members have been dissatisfied when the chair called them to order. I am in the hands of the committee, but it has been decided that we first would hear the Auditor General on his report and material which he placed before us relating to important topics. He submitted a report on the estimates and there was also a report dealing with Agriculture, and other matters; and then we decided that we would call a gentleman from the Treasury Board, it happened to be Mr. Bryce, the Assistant Deputy Minister of Finance and Secretary of Treasury Board, to give his comments on Mr. Sellar's brief. During the course of questioning at the first meeting when Mr. Bryce was on the stand he agreed to supply certain supplementary material; then, during the last two or three meetings the committee was dealing with a proposal made by Mr. Drew of having the estimates include a summary by functional classifications. It just happened that in the department he represents the witness had had work of that kind prepared and he was able to place a memorandum before the committee in the form requested. Now, in connection with that memorandum, may I point out that we are not here to deal with each item there as relating to the public accounts, the idea was to study the advisability of having such a summary as was suggested by Mr. Drew and brought in by Mr. Bryce included in a section preliminary to the details of the main estimates. I would not like the impression to get out that any question which may be asked will be ruled out of order, but I would again call your attention to the fact that it was agreed that we deal with this memorandum in its relation to the preparation of the estimates. I think it was Mr. Thatcher himself who moved that we study the suggestion put before us and that we deal with it item by item. Now, it happened that during the course of our study of that brief presented by Mr. Bryce other questions were asked by members of the committee—from a review of the evidence I observed that Mr. Thatcher asked for a more detailed breakdown with regard to item 8, dealing with freight, express and cartage. That is now before us. There was also a request for more detailed information with respect to item 9 relating to telephones, telegrams and postage, and we have that before us. Then there was the further request for a more detailed breakdown of the items which go to make up the paragraph 11(a) and also the paragraph 12(a), and that has been supplied and is now before us. We have now reached the point where we are on the details supplied at the last meeting by Mr. Bryce on freight, express and cartage. Only one or two questions have been asked on that, but I believe Mr. Thatcher at adjournment said that he had a few more questions he wanted to ask about that item.

Now, gentlemen, I think we should carry on until we have finished exploring this material, this idea of having a special summary prefacing the detailed main estimates; and once we are through with that we can revert to an examination of Mr. Bryce in respect to the brief submitted by Mr. Sellar with regard to the estimates; and, if we carry out the plan put before us by the steering committee, we cannot deal with anything else until that has been disposed of. As I see it, that is the sequence of the work of the committee, so I do not think there is anything extraordinary in the chairman or the vice-chairman taking the stand that certain questions are out of order until we reach the time when we are studying the public accounts. At the moment we are studying the suggestion made as to having a special summary put in the estimates. When we have completed that, as I just said, we will go on and get Mr. Bryce's views as to the desirability of accepting the views presented by Mr. Sellar in his memorandum on the estimates.

At the moment we are on the item 8, freight, express and cartage, as supplied by Mr. Bryce.

Mr. THATCHER: May I say this, Mr. Chairman, that I think it is important with respect to some of these items that we should get some of the detail while we are discussing this matter. For instance, on this question of Public Works, I doubt if we would ever get to that in the public accounts if we stayed here through all July, August and September. The only way we can get any information on it is to ask questions now when this material is before us. If we wait until we reach these things in the public accounts we shall never get to them.

The CHAIRMAN: If we were to ask all the questions that occur to us now we would never get through with our consideration of this memorandum. We have to observe an orderly sequence in our work. It was suggested first that we would call the Auditor General and get him to deal with his report and submit such other material as he thought should be brought to our attention, and then it was considered that we should have some official from the Treasury Board to give his views as to the suggestions made by the Auditor General. Then we had the suggestion by Mr. Drew that a summary of main items of expenditure might be useful in connection with a consideration of the main estimates. Because of the fact that the Treasury Board officials had something of that type prepared for the use of their own department Mr. Bryce was able to bring such a summary before us for consideration. Now, as I said, we are not studying each of the details in these items as items in the public accounts, but rather as to the value of such a summary in connection with the estimates. The witness before us is not the one who would answer questions of that kind, we would have to call officials from each of the departments concerned. This witness is here as an expert on the preparation of the estimates, and with him we are studying the submissions or suggestions made in Mr. Sellar's brief. Then, Mr. Sellar also brought in the matter of regrouping the items of estimates for Agriculture, and when we come to a consideration of his views on that item we should have before us officials from the Department of Agriculture.

There is another proposal before us, to have the Comptroller of the Treasury here to comment on the suggestions made by Mr. Sellar in his submission. I think all we can do, having established an order of business, is to follow it. And my suggestion today is that we carry on the work we have before us in some orderly fashion and that we give Mr. Thatcher, or whoever may be interested, an opportunity of putting their questions on the material we have before us under this item 8—freight, express and cartage. Are there any questions on that?

Mr. FRASER: Yes, I have a question.

By Mr. Fraser:

Q. I notice that with respect to Mines and Resources there is nothing indicated for 1950-51 under this heading; it occurs to me that they certainly

would have some expense in connection with cartage in there, would they not?—A. Yes sir, but in the time available to us we could not consolidate those items in connection with those for Citizenship and Immigration and Resources and Development.

Q. Then, in connection with Health and Welfare, I see there is an increase of \$34,000, I would have thought that would have been lower.—A. Those departments have now disappeared. It is just a question of tracing the votes.

Q. Oh, I see; what formerly was Mines and Resources is now shown under Resources and Development, is that right?—A. Yes, in making up their estimates they have taken into account what they could learn about the cost of these various services in the old department.

Q. But that would only be an estimate?—A. Yes.

The CHAIRMAN: You see the point there is that what used to be the former Department of Mines and Resources now comes under the new Department of Resources and Development.

Mr. FRASER: Yes, that is what I meant.

Mr. MACDONNELL: Did I understand you a moment ago to say that Mr. Bryce was bringing in a further breakdown of this item?

The CHAIRMAN: No, I said that in answer to the request of certain members Mr. Bryce had brought in a breakdown of the lump sum on these items.

Mr. MACDONNELL: I think we were interested the other day in getting some more information on this item of about \$5 million under National Defence for freight, express and cartage. My recollection is that we were just discussing that item in its broad approach, and it is such a huge item where you would ordinarily think it would be a relatively minor item of expenditure, that we thought we might have an indication as to just what was involved in that; and, as I recollect it, the explanation was given with respect to the item on Transport, for instance, that the reason for the big increase there as compared to 1938-39, was that it had to do with airports. Could we not be given some information as to the reason for the size of this item in connection with National Defence?

The CHAIRMAN: Is that item in the estimates?

The WITNESS: I do not believe it is detailed in the estimates volume, sir, but with regard to the one that Mr. Macdonnell wants some information about I would say that that is due to the growth in the Defence establishment which is very many times what it was before the war; they are very much more spread out, very much more mobile, very much more heavily equipped.

By Mr. Macdonnell:

Q. I suppose a thing like Sweet Briar would cost a lot?—A. Yes.

Q. I quite realize that.—A. It is not only the increase in the size of the Defence organization but in its activities as well which gives rise to that. Beyond that I am afraid it would be necessary to get the details from the department.

Q. Would there be any surveillance given to it outside of the department, would there be any outside check on it?

The CHAIRMAN: Would that be under the Comptroller of the Treasury?

The WITNESS: No, the responsibility of the Comptroller of the Treasury in that respect would be merely to see that the authority existed for making that expenditure and that the proper votes were available.

The CHAIRMAN: But the Auditor General would be the one to audit the expenditures?

The WITNESS: He audits them, yes sir. He is not responsible for controlling them.

By Mr. Thatcher:

Q. I was wondering whether Mr. Bryce could give us any information for this very great increase in this item for Transport in this year's estimates as compared to 1938-39?—A. That was mentioned the other day I believe. It is a very large increase I must confess, but what rather surprised me was that the amount in 1938-39 should be so small for what was a large department even at that time. If you consider that the total expenditures of the Department of Transport are of the order of \$80 million in the estimates for this year I do not think this figure looks large in relation to that total.

Q. What would that consist of, what materials would be covered by that item?—A. The Department of Transport—it should be recalled that they operate canals, they operate airfields, they operate various services in connection with aids to navigation and things of that sort, all of which are very widely spread out; they operate weather stations across the country and into the far north and there would not only be a great deal of freight on stores to be shipped but express and cartage charges on shipments in getting the materials from where they are delivered to where they were required.

Q. Do you feel that there should be fifty times the amount of freight involved?—A. With regard to that I am rather surprised that it is such a low figure for the prewar year; it makes me feel that possibly there must have been something of a comparable nature prewar in some other items that we have not been able to ferret out.

The CHAIRMAN: Shall we go on to item 9—telephone, telegrams and postage?

By Mr. Fraser:

Q. I wonder if Mr. Bryce could tell us just how this works out. The Minister of Finance stated in the House that telephones came under his department now instead of under Public Works. Am I right in that?—A. Telephones in Ottawa, sir.

Q. Just the telephones in Ottawa?—A. Yes.

Q. Well then, the telephones out of Ottawa would be under Public Works, would they not?—A. No sir, they are under the departments actually using the equipment.

Q. But Public Works when they looked after all telephones would look after only the servicing end of it?—A. They did that previously.

Q. All right then, these items that we have here, the telephone items in this statement, would cover long distance calls and telegrams and postage in these departments; that would be their long distance calls that this would cover?—A. Also their telephone equipment rentals and so on outside of Ottawa.

Q. And rentals outside of Ottawa?—A. Yes.

Q. In the different offices?—A. Yes, which might be quite substantial amounts in the case of the larger departments. For instance, in larger offices such as Income Tax and Customs and Excise where they have quite a number of phones.

Q. And that would be the service charges?—A. Yes.

Q. And that would be entered up against National Revenue?—A. Yes.

Q. And I see that with respect to the current year there is no entry of an estimate in connection with Public Works while in 1938-39 the amount was \$104,000 and some odd; why is Public Works mentioned here at all?—A. Well, sir, I would refer you to the general point that I made in submitting these figures at the beginning. These tables show what we have been able to locate in the estimates as previously provided for these things. There will be a relatively small amount in Public Works under the sundries item that we were not able to pick out. If you go back to the old Public Works figures, prewar, that would cover all the rentals in Ottawa whereas, for the current year it would only

cover the department's own telephone costs, as I said, now the general costs come under the Department of Finance; and you will notice that that item is now very much larger, \$1,639,000.

Q. Yes, but they do not show anything for this year or last year.—A. They would only have their own departmental items.

Q. Where would it show in your estimates?—A. I am afraid it would not show anywhere at all except in the sundries item for Public Works. That would be in the residual item given on the last table at the end, the item which includes the other items we could not divide easily.

Q. It appears to me that there must be something wrong with the accounting there. I feel the Public Works the same as any other department should definitely show what they pay out for telephones. That is not a sundry, that is telephone service, and that would include long distance calls as well as local service. It seems to me it would not be hard to show that and it must come to quite a substantial sum.—A. If the members of the committee feel that that sort of thing should be segregated in each vote where it applies we could make an endeavour to do it. In some cases it would be only a relatively small amount in a particular vote.

Q. I appreciate that, but Public Works have a great number of offices here and they have offices in other parts of the country. For instance they have offices at Toronto, at Montreal, at Winnipeg, at Vancouver—right across the country.—A. Yes.

Q. And I think the Public Works as well as other departments should show what they spend on telephones, telegrams and postage. I think it is only fair to the country to know what sundries are.—A. Yes. Well, it is just a question of how much detail the members wish to have listed in the details in the estimates book, and under what vote; and if this sort of category appeals to you as one that should be shown in all the votes we can secure it when the estimates are being made up.

By Mr. Macdonnell:

Q. Have you a breakdown showing each of these items, telephones, telegrams and postage?—A. It is difficult to be sure. These are the figures that are made up in advance, not the bills that have been paid, and the department may not know in respect to a particular estimate what amount was for telephones and what for telegrams.

Q. For instance, the \$2 million for National Defence under the headings of telephones, telegrams and postage, some of that would be covered by the frank—one question that I would like to have further information on is long distance telephone calls, because when you get right down to business, we all realize how easy it is to abuse the long distance telephone privilege, and I was wondering what experience shows; for instance whether any thought is given to the fact that an air mail letter would arrive the next day and might save the cost of a long distance telephone call. Without labouring the point, what I would like to find out is what provision there is for taking on things of that kind?

The CHAIRMAN: Are you suggesting that we should recommend that in future it would be advisable in the summary giving the functional classification of estimates that we should ask for all departments to list items such as telephone calls and telegrams as separate items in their estimates?

Mr. MACDONNELL: I would not go quite that far, but I think that information should be available on questioning.

The CHAIRMAN: Would we not be able to get that from the public accounts? Items such as that would be reported in detail there and we could call officers

from the department to deal with a point such as that. We are now considering the advisability of including a summary such as the one before us in the estimates.

Mr. FRASER: Yes, Mr. Chairman; but in practically all the other departments telephones are listed.

The CHAIRMAN: That is right.

Mr. FRASER: They are listed in a majority of the departments and I do not see why they should not be listed in the case of this particular department.

By Mr. Macdonnell:

Q. We have had an increase in ten years from \$960,000 to \$8,930,000, and I think that we should have a full understanding as to how that happened.—A. Perhaps I might be permitted to point out that this includes teletype services as well, which in some cases is quite expensive. For instance, for the Meteorological Service which would be under Transport, which has a whole system of teletype service throughout the country, I think the teletype item alone there runs to \$600,000 a year.

Q. And rentals?

Mr. FRASER: That is rentals?

The WITNESS: Yes, sir, that is rental for teletype lines from commercial companies. Of course, national defence operates a very large teletype system as well; how much of their expense is on teletypes and leased lines I do not know, but they have an elaborate system.

By Mr. Macdonnell:

Q. Now, to be relevant, that is for the sake of instantaneous communication, is it not?—A. Yes, sir.

Q. How urgent is it that these messages must go in a matter of minutes instead of a matter of hours.

The CHAIRMAN: That is not a question for this witness.

By Mr. Thatcher:

Q. I was wondering if Mr. Bryce could tell this committee if he knows of any savings that could be made on this matter of telegrams, telephones and postage?—A. Well, sir, it is very difficult for me to be put in a position of criticizing other departments.

Q. I do not mean to be facetious, but it would seem to me that if you had some idea that the committee might do something about, you might be helping the committee and helping the taxpayers generally. However, if that is not a fair question I will withdraw it.

The CHAIRMAN: I think Mr. Bryce might be asked this: What do you consider we should have in the estimates regarding these items so that we could form an opinion whether this expense was justified or not? Could you tell us as to how these should be put in the estimates in such a way that we could know in advance whether we are justified in voting such a big estimate? As to economies, I doubt if this Treasury Board official would be the one to ask.

Mr. THATCHER: If he has no ideas along those lines he can say so.

The CHAIRMAN: He is here as a witness on estimates, to tell us how we should have the estimates presented to us so that we can judge whether they are, as you say, exaggerated, or not. But when it comes to whether savings can be made, I think the Auditor General or the Comptroller of the Treasury would be the ones to advise us on that because they audit these expenses. The witness does not know. He just prepares the estimates from the figures given to him by the departments. Remember, we are studying estimates and not expenses at this moment.

By Mr. Robinson:

Q. A few days ago, Mr. Bryce, you detailed to the committee the procedure of getting out these estimates. You told us about asking the departments in October or thereabouts for their estimates for the year and they eventually came to the Treasury Board and were examined in some detail. Now, taking the Department of National Defence again, in 1949-50, the estimates were something over \$2 million; in 1950-51, they are a little less than \$2 million. Now, in what form would the estimates reach you so that you would be able to form a judgment on the validity or otherwise of those figures?—A. Well, they reach us eventually in quite detailed form and the officers of our department go through them in detail with officers of the Department of National Defence and of the various services, and, of course, there are so many very large questions arising on defence that the control of the total of the defence vote is hardly the major way in which expenditures, let us say, on telephones, are controlled. The questions that determine the total size of the vote are much larger questions, but the amount to be provided for items of this kind is controlled in general by the Treasury Board, and the detailed control over the use and the justification given to the board for that amount required under that heading is made by the Department of National Defence.

Q. Let us be a little more specific. Would National Defence say: here we want so much for Camp Borden for this fiscal year covering those items, so much for Ortona barracks, so much for each different establishment, or would it go by districts? How would that reach you?—A. It would reach us in terms of several dozen items of the kind that are listed in our main tables of categories and not by every camp as such, but by army services as a whole and certain groups of that, air service, navy, would be examined. But I would not like to suggest that the Department of Finance is staffed to go into all these details in the Department of National Defence. You would have to have a score of men or more employed on a huge variety of detail, and frankly, I have not the staff to follow that through in great detail.

Q. As I understand that, do you mean there would be a blanket item for a particular service, such as the army service corps, or would the detail come by military districts?—A. I know the departmental officers themselves make up their total estimates from a summary of the detail under these various heads received from their various districts and commands and such, but I would like to make clear is that the Department of Finance acting on behalf of the Treasury Board is not in a position where it could say that it has examined every bit of that detail and would be in a position to criticize it in all that detail. We do not have the staff and we do not consider it worthwhile or practical to get the staff to examine all that detail. We rely on the Department of National Defence to do that.

Mr. MACDONNELL: I once undertook to say to the minister there was only one way to get economy and that is to tell the departments they would get so much money and that they would have to do the best they could with it. I do not know whether that would make your work much easier.

By Mr. Wright:

Q. Has National Defence any leased lines?—A. Yes, they do, they have a very large teletype system of their own and there are some which they operate, some as leased lines, some of it is radio links; it is all built up, some are facilities for our defence in war to a considerable degree.

By Mr. Macdonnell:

Q. Would they argue that that is necessary purely from the point of view of the possibility of war?—A. Not purely, it is of value for peacetime purposes, but to what degree it is justified that way and by war I am not in a position to say.

Q. But I mean would they argue that the program of preparedness was sufficient to justify it?—A. That is certainly one of the arguments they would put up to us but I think you should address that question to National Defence.

By Mr. Fraser:

Q. I would like to ask Mr. Bryce about the finance figure here for 1950-51, it is \$1,639,900. Now, that is up \$515,600 from 1949-50 estimates, and that increase would not be due entirely to the Finance Department taking over the telephones?—A. Not the increase in the past year, no, sir.

Q. And, of course, postage for family allowance cheques is \$875,000 for the year. That, of course, was on last year. Now, I would like to know why that has increased over half a million. I would like also to know if the Department of National Health and Welfare should not have been charged with the postage of \$875,000 on family allowance cheques, and also the Department of National Revenue, \$260,000 on the postage of the refund cheques on income tax. This does not give a member or anyone else a fair picture of the setup when items like that are charged to the Finance Department and not to the regular department.—A. Well, sir, might I endeavour to answer several of those at once, at least at one time. As to why there is that very large increase between last year and this year, I would have to enquire about it and bring you a detailed answer. I do not have sufficient of the details at my fingertips. As you point out, there is here over \$1,100,000 odd in postage.

Q. That would have been nearly that amount last year too?—A. Yes, it was \$100,000 short of last year's or thereabouts. Now, your question as to why we do not show the postage on family allowance cheques under National Health and Welfare goes to the heart of a serious problem in dealing with the arrangement of estimates which the committee is considering, because we have here two bodies that are concerned with the family allowance cheques and I will mention a third. The Department of National Health and Welfare, of course, shows under its votes the cost of the family allowances and the cost of their administration offices. Now, the Comptroller of the Treasury throughout the country has large offices handling these family allowance payments and he shows not only these costs of postage on the cheques but the cost of obtaining the cheques, the cost of the staff to verify the proper amounts to put on the cheques, and the cost of handling them. The Department of Finance proper in its administration vote covers the large cost of our cheque adjustment branch here in Ottawa that brings these cheques all together, collates them, adjusts them with the banks, and we have there a large unit in the Department of Finance, over two hundred people, perhaps at a cost of half a million dollars a year or more, a large part of which is concerned entirely with those family allowance cheques and similar cheques. So there are many costs of issuing the family allowance payments that are not shown under National Health and Welfare, and our problem of how far we should go and should show the cost for a particular function of that sort and attribute it to what seems to be the obvious heading in the estimates. The Comptroller of the Treasury serves nearly all departments and nearly all units, so some of his costs should in essence be allocated against family allowances, National Film Board, External Affairs, in some degree; so with the services of the Civil Service Commission, so with the service of Public Works Department, the King's Printer. Now, it may be that we should make an effort in the estimates to try and allot these to some department under the main votes that cover that service. If the committee felt that was important we could explore the possibility of doing it that way. I believe the United Kingdom does that—

Q. Yes, I was going to say they do it that way.—A. —to some degree in their estimates but it would take a good deal of working out.

Q. It would take a lot of working out at the start but after the system was installed it might be easier for you. At least, I do not know but I imagine it

would be. You mention that you have got these treasury officers that are paid by the Finance Department. I think you have twenty-one of them in the National Film Board alone, and I think that charge should be charged to that department in order that they would know what the overhead was in that department. They have not now a true picture of it.

The CHAIRMAN: You want to have the item for the Comptroller of the Treasury disappear from Finance entirely and split it up into departments that it serves? If you follow that too far it will amount to the same. Do you want to allot the cost of printing and stationery and so on to each department, rather than to have it shown on the King's Printer? It is the same for all departments.

Mr. FRASER: Stationery is done that way to a large extent. The Public Works looks after the King's Printer but I believe when they have a job to do that is charged to the separate department. I think the way we have the setup now was all right when our estimates were down below the half billion dollar mark, but now we are over the two billion dollar mark.

The CHAIRMAN: What would be the advantage, exactly, of having it separated? Instead of knowing the cost of operating the Comptroller of the Treasury's department to control all these expenditures, you would have that cost spread all over the departments. For instance, we have the Auditor General's costs shown in one lump sum. We know exactly what it costs to audit the books of government. We know what it costs in one lump sum for the expenses of the Comptroller of the Treasury. Now, you would have us break up those items and allot them to separate departments. At the present time you know actually what it costs to control the expenditures, and you know what it costs to audit them.

Mr. FRASER: But you do not know how much it costs to run them.

Mr. THATCHER: Mr. Chairman, would it not be better to get on, to try and get somewhere where we can ask hard cash questions on how this money was spent?

The CHAIRMAN: We will have a few meetings before that because we have to finish the report of Mr. Sellar and before we finish that we have got to have this witness give his version of Mr. Sellar's report. We cannot get to public accounts until we finish the first order of business.

Mr. THATCHER: When are we coming to the point where we can ask questions?

The CHAIRMAN: You can ask questions when we are on public accounts. Now, we are on the classification of estimates that the committee asked for. We cannot reach a conclusion on the advisability of recommending to parliament to adopt Mr. Sellar's views unless we have studied his brief. It is the way of presenting estimates that we are studying. That is another matter entirely. I hope we will have time enough to reach every department but at the moment it has been the wish of the committee to study the report by Mr. Sellar and I think we ought to finish that before we go into other questions.

By Mr. Richard (Ottawa East):

Q. Mr. Bryce, with regard to telephones, I understand in the old days the Bell Telephone Company brought the telephone trunk lines to the government buildings, and the Public Works Department did all the wiring and installation with the instruments furnished by the Bell Telephone Company; and that amounted to \$104,000 in 1938-39. Now, is that charged to the Department of Finance this year?—A. Yes, sir, the cost of our contract in Ottawa with the Bell Telephone Company is now charged to the Department of Finance.

Q. That is just the question I asked last year: has the Bell Telephone Company got a contract with the government now to do that installation in the various buildings?—A. I am sorry, I was thinking of our general rental contracts.

The installation within certain of the buildings is now being done by the Bell Telephone Company. For instance, I think it is being done by them in the East Block.

Q. And who does the rest?—A. The wiring in most of the buildings has been installed in the past by the Department of Public Works, and that equipment and wiring remains the property of the crown and changes in it are made by the Department of Public Works.

Q. Do you know if we have a contract with the Bell Telephone Company to install telephones today?—A. Yes, in certain of the buildings which are entirely new, wiring is being put in by that company.

Q. Have we an estimate of that broken up?—A. I have not that offhand, no.

By Mr. Thatcher:

Q. Is the reason for that because you thought you could do it more economically?—A. They have their own crews who are experts in telephone wiring, and we came to the conclusion in the case I mentioned that they could do it more economically. If I could answer the other question at this point, I do not like to leave it, and say we have no ideas as to how we can economize in these things; we have put in ideas in the past and we are endeavouring in the Department of Finance to do that all the time. In the field of telephones in particular we have a staff that examines the requests of departments for telephone equipment, and helps work out with them the most economical types of equipment, and that is their function. The installations that any department requests must come to that office to be examined and then is approved. It is approved in fact by Treasury Board minutes. Our control of telephone equipment is very detailed indeed. We endeavour to make it as constructive a control as possible because we try to furnish the departments and the officers of the departments with assistance and advice in locating and using telephone equipment as economically as possible.

Mr. RICHARD (*Ottawa East*): I have always feared the exorbitant cost of anything that is done with reference to rentals by outside companies. However, we are not there yet so I will leave it.

Mr. CAVERS: Would not the increase in Finance estimates for telephones and telegraphs be due to the cost of servicing the new province of Newfoundland?

The WITNESS: I do not think there is very much there. That is telephone and I do not want to comment on that large increase without ascertaining the reason behind it.

Mr. THATCHER: Mr. Chairman, Mr. Bryce made a significant statement a moment ago when he said the department has ideas as to where economies can be effected here. I do not wish to labour the point, but would it not be sensible then if you would have the witness pass that information on to this committee so that if he cannot do anything about it maybe we can.

The WITNESS: I am supposed to put them into effect and we are doing so from month to month. As I mentioned the other day we have installed leased lines between Ottawa and Montreal and between Ottawa and Toronto for the purpose of reducing long distance charges, and we have succeeded in that pretty well.

By Mr. Thatcher:

Q. There are no specific savings here that you would recommend to this committee?—A. No, sir, not offhand, and I think that my recommendations should be made to the government and then it is up to them to say what we should do about them.

Mr. ANDERSON: You have not the Department of Justice in this list?

The WITNESS: They would be relatively minor in this category.

Mr. FRASER: On National Revenue, there is an increase there of nearly \$70,000 in the year. Would you get a check on that, Mr. Bryce?

The WITNESS: Yes, sir.

The CHAIRMAN: Are we through with item 9?

Now, we have item 11(a) which is in reply to a request made by a member for a breakdown of 11(a). [Acquisition or Construction of Buildings, Works and Structures.]

By Mr. Macdonnell:

Q. Is there anything you would like to say about Agriculture? I see an amount there for buildings, \$14,900,000. I have not gone through the estimates carefully to see where it comes in.—A. They would be fairly widely distributed. The experimental farm service has, of course, a considerable building program in their votes. They have a very large number of buildings throughout the country and are building some new buildings as well as modifying and expanding old ones. The science service has some buildings in their administration votes. They group, I believe, all their building programs in the vote for science service administration and that is one reason why it is as large as it is. They plan their building programs under that heading. You find I believe, under production service, health of animals for example, building items in there. Then also, of course in the Prairie Farm Rehabilitation Program, and the large major works, water conservation projects, there are enormous items that belong in this category.

Q. Let us leave Public Works aside for the moment, and look at two of the larger items, National Defence and Transport. What about those two?—A. Yes sir, for the Department of Transport you have a very large airport program in there which is a major item, I would say from memory, as well as several smaller ones throughout—well, the Canso Bridge would be under the Transport vote.

Q. Not in Public Works?—A. No sir. I think that is under the Department of Transport under railway services and transport—yes, \$2 million under vote 491. That would be the sort of thing in Transport. The other one you spoke about was the amount in National Defence?

Q. Yes.—A. Of course, there are various Defence works ranging from airports, R.C.A.F. airports on the one hand, to things like buildings related to housekeeping functions of the Department on the other, even buildings for married couples.

Mr. FRASER: But we have a jump there from 1938-39 to last year—that would be accommodation in the various training centres for the men?

The WITNESS: Yes. I should perhaps explain in that connection that this item would not include the married quarters program which at the present time is being financed through the Central Mortgage and Housing Corporation under loans to veterans and so on. It is well to bear that in mind in connection with this item.

Mr. FRASER: Yes.

The CHAIRMAN: Any further questions on 11(a)?

By Mr. Fraser:

Q. With regard to married quarters which you say comes under Central Mortgage, will we have an opportunity of going into that in public accounts? Is that in any public accounts item?—A. That is the item under the heading Loans and Investments in vote 562. We have not shown it because these are expenditure figures; but I did want to make it clear that there was that item, just as a matter of information.

Q. And how much is it?—A. \$75 million, vote 562 on page 70.

Q. But that is entirely a Defence proposition, that is on Defence property.—A. It is on Defence property; but, of course, it assists in meeting the general housing requirements of the nation, because if a family are able to move into married quarters it leaves other housing accommodation clear for civilians.

Q. I agree with that, but I was just wondering why even if Central Mortgage did do the job it still should not be charged to Defence because it is entirely a Defence proposition.—A. Well, of course, Defence will provide the funds for servicing the investment, so to speak.

Q. Well then, this \$75 million is not charged to Defence?—A. It is charged initially as a loan to Central Mortgage and Housing Corporation but will be charged eventually in one manner or another to National Defence.

Q. In what way?—A. I am not certain at the moment as to just how it is to be shown, but that is one of the problems which arose. This program only commenced a year ago. No houses have been completed as yet so there is nothing to charge.

Q. But some of them have been built.—A. Maybe a few, but no complete project.

The CHAIRMAN: Shall we go on now to 12(a), Acquisition or Construction of Equipment?

Mr. DREW: I take it that Mr. Bryce is simply presenting these figures and that he does not have any of the component factors, and for that reason I think it would be better to ask someone from the different departments such questions as I have in mind in connection with National Defence where the comparative figures were \$12 million for 1938/39 and \$129,412,000 for 1950/51 for the acquisition or construction of equipment. Now, I assume, Mr. Bryce, that would be a question to be answered by someone from the Department of National Defence?

The WITNESS: Yes sir.

The CHAIRMAN: At the moment we are dealing with the suggestion of having a summary by functional categories.

Mr. THATCHER: But I believe we should have such information as Mr. Bryce is able to give. Have we finished with Mr. Bryce now?

The CHAIRMAN: We haven't finished with Mr. Bryce, we have finished with this suggestion of a summary by functional categories. If there are no further questions on this material we will proceed to the next order.

Mr. FRASER: I did not understand that we have finished with this witness yet.

The CHAIRMAN: No. We have finished with him with respect to Mr. Drew's request. We did not ask him to appear here especially for that. We asked him to come here to give us his views as the senior officer of the Treasury Board on the suggestions by Mr. Sellar with regard to changes in the preparation of the estimates.

Mr. DREW: If we are finished with this phase of it, perhaps he would like now to deal with my request for information with respect to properties.

The CHAIRMAN: Yes, but I think Mr. Bryce has brought with him a breakdown which was asked for by Mr. Fraser, and some of the other members of the committee, with respect to certain items in this summary. He might like to give that to us now.

The WITNESS: At the last meeting of the committee I was asked if I could give some indication as to the type of item included in "all other items", the residual which appears at the end of the memorandum, amounting to a total of about \$26 million. I have arranged to have a dozen or so items taken out as examples which if it is of interest I can have distributed to the committee. They

illustrate the nature of the items. I must regretfully say that I found one item there which runs slightly over \$1 million, a grant in aid on research made to the National Research Council.

The CHAIRMAN: That will go in the record at this point and copies will be distributed to members of the committee.

C-6

30. All Other Items—Balance Made Up of smaller items detailed throughout the Estimates

This item includes provision for services that do not lend themselves to distribution under the specific headings detailed in the Main Summary.

A few examples are:

Agriculture—

Land Protection and Reclamation; clearing and Settlement of new Lands—Vote 43	\$ 200,000
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Citizenship and Immigration—

Indian Annuities	320,568
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Special Assistance to Aged Indians	412,800
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External Affairs—

Canadian Representation at International Conferences	225,000
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International Joint Commission	125,000
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Fisheries—

Transporting, dressing and dyeing Fur Seal Skins	500,000
--	---------

Labour—

Organization and Use of Manpower in Agriculture and Related Industries	285,000
--	---------

Government Employees Compensation Payments	840,000
--	---------

National Revenue—

Expenses, law costs, refunds and awards arising out of seizures— Vote 262	200,000
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Privy Council Office—

Royal Commission on National Development in the Arts, Letters and Sciences—Vote 277	175,000
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Public Works—

Surveys and Inspections	254,000
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Resources and Development—

Columbia River Watershed—Studies and Surveys	380,000
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Northwest Territories and Yukon—Hospitalization	247,900
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Trade and Commerce—

Certain expenses in connection with the Canadian International Trade Fair	412,350
---	---------

Expenses in connection with preparation for the 1951 Decennial Census	987,075
---	---------

To reimburse the Canadian Commercial Corporation for purchases of supplies and Equipment for National Defence—Vote 447	900,000
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National Research Council—

Grants in Aid	1,127,095
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Scholarships	274,000
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Light, Power and Water	91,225
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Transport—

Airways and Airports—Operation and Maintenance Light, Power and Water	426,575
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Radio Division—Payment to C.B.C. of the amount of Commissions allowed issuers of Radio Licenses	375,000
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The WITNESS: I have also a table under item 30 of representative items under National Defence. These tables give first a general division of that and then a subdivision of the largest group of operating expenses and properties. That is just for information in explanation of the items that were raised previously.

C-8

30. ALL OTHER ITEMS—NATIONAL DEFENCE

Operating Expenses of Properties, including Fuel for heating, Gas, Electricity, Water and Sanitary Services, etc. (Details Attached)	\$13,720,307
Recruiting Expenses	500,000
Education of Dependent Children	711,457
Laundry and Dry Cleaning	451,900
Miscellaneous Services—Navy—Including Customs Dues; Mooring and Berthing ships; Utility Services for Ships; etc.	500,000
Sundries, including Imperial War Graves Commission; Book of Remembrance; Legal Fees; Pilotage and Canal Tolls; Damage Claims; Decorations; Honours and Awards; Funeral Expenses; Government Officers Guarantee Fund, etc.	2,108,691
Maintenance Grants	878,984
Defence Research Undistributed for reasons of Security	4,189,190
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	\$23,060,529

C-8(a)

DETAILS OF OPERATING EXPENSES OF PROPERTIES

Departmental Administration

Fuel, light and Water.....	\$ 10,000
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Navy—General

Services	\$ 814,700
Fuel	1,391,300 2,206,000

Army—General

Heating, lighting, Cooking, Water and gas Sanitary Services.....	5,610,208
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Northwest Highway System

Coal.	97,414
Oil.	792,291
Electricity and Gas.....	13,600
Water.	7,420
Sanitary Services	9,275 920,000

Northwest Territories and Yukon Radio System

Electricity.	43,596
Gas.	3,344
Water.	2,200
Sanitary Services.	1,970
Oil—Heating.	97,616
Oil—Power Plants	52,468 201,194

Air—General

Oil.	718,300
Coal.	1,692,350
Gas.	93,950
Wood.	2,000
Freight.	30,000
Light and Power	684,500
Water.	90,750
Sanitary Services.	33,250
Carryover	36,735 3,381,835

Search and Rescue

Coal.	137,730
Oil.	1,192,840
Wood.	60,500
	<hr/>
	\$13,720,307

The WITNESS: If the committee would wish us to we could give a more detailed statement in respect to these small items, but we picked out some of the larger ones that we thought would give the committee an indication of the type of item. Now, if we were making an analysis in the estimates book we could in future years, I think, get sufficient information to analyse some of these into the sort of categories that we have made up under the more descriptive headings; for example, expenses in connection with the taking of the decennial census which would include certain amounts for salaries, certain amount for materials and things of that sort. If we knew long enough in advance we could divide that into appropriate categories.

Mr. DREW: There is just one item there about which I would like to have some information. I see recruiting expenses \$500,000; what would that be?

The WITNESS: We know that was the amount they put in the estimates for that but it is not allocated specifically to particular types of items, but it would include all the usual forms of advertising. We do not know how much of it would go into the advertising category, but some of that will undoubtedly be used in some form of advertising—broadcasting, newspaper advertising, billboard advertising and things of that sort in a recruiting program. There will be some of it go into that and some of that item will go into other types of expenditures on recruiting.

Mr. THATCHER: Mr. Chairman, there is one thought that occurs to me in connection with this decennial census. We have the other census which is taken every five years and this ten-year thing costs a lot of money. I am wondering if we have not come now to the point in this country where we could cut that out, because I think the population is growing and I think this is one item where the committee could recommend we could make a cut and save a lot of money. Can you tell us something about that?

The WITNESS: I do not know enough of the considerations to say what the limitations are but I believe there are statutory requirements for that decennial census.

Mr. THATCHER: I believe so but I do think the population is growing rapidly. We take it every five years now. I do not think the west would particularly feel discriminated against in any way. I think the time has come when if we can save a half million dollars there for the taxpayers I think possibly this committee might be well advised to make such a recommendation.

The CHAIRMAN: In our report afterwards, yes; we might recommend as to whether we should have this, that or the other thing in the estimates and we might at that time make a report on that; but I would remind you, Mr. Thatcher, that at the moment we are dealing with estimates, and whether or not the form in which they are being presented to the House can be improved.

Mr. THATCHER: I thought the Public Accounts Committee was interested in saving money.

The CHAIRMAN: Yes, but when we have the appropriate item before us. We first have to finish with this estimate reference.

Mr. THATCHER: When will we get to that?

The CHAIRMAN: I don't know. If the committee are willing we can be finished with this today.

Mr. WRIGHT: Mr. Chairman, I move that we accept these reports and proceed to hear the representations of the witness with regard to Mr. Sellar's suggestions.

Mr. DREW: Mr. Chairman, before you go on with that I would point out that if we are finished with this statement and the answers which have been

supplied we might take up the answer to the question which I asked on May 4th at the end of the sitting, when I asked Mr. Bryce to prepare a list of the properties owned by the crown, government assets.

The CHAIRMAN: I just wanted to make sure that we have finished with this. Apparently we are, so now we will go on to the second item which Mr. Bryce brought with him on May 4th, a reply to the question asked by Mr. Drew concerning properties.

The WITNESS: The question I was asked was what assets we show in our accounts and where we find them. I was going to point out to the committee that in the schedules of the dominion balance sheet on page 2 of the public accounts are listed first the active assets. The first category, is cash in the form of current deposits and special deposits, as you will see them listed there; secondly, loans and advances to crown agencies—which would include of course certain companies engaged in the type of activities which you inquired about; third, loans and advances, within certain categories. These active assets include only cash or things in the nature of cash on the one hand and assets of an interest yielding character, yielding a financial return on the other. This general principle of including only that type of asset in our active assets goes back for many years, and I think the most definite explanation of what was excluded from it was given by the late Sir Henry Drayton in his budget speech in 1920 setting out the basis on which the net debt of the dominion could be arrived at:

Assets which are not readily convertible, as the specie reserve is convertible, or are not interest producing, are not such assets as ought to be deducted from the gross debt. They are inactive, they are items of such a character as might well be placed in a suspense account. At any rate, whatever may be their future value, however great it may be, they are not assets of such a character as to directly reduce the gross debt any more than the other capital accounts of the country ought to be deducted from it.

Well, those are the active assets shown in the balance sheet and the other items are what we call inactive assets which consist of two categories; one, capital expenditures, which are shown in schedule "K" on page 17 of the public accounts; and the second, other non-active assets which are loans and advances are shown on schedule "L" on page 19 of the accounts. The one on page 17 shown as "capital expenditures" covers a wide variety of items which have been provided for in the estimates under the subheading of capital expenditures. Many years ago a great deal of it was covered in this way but in recent years very large appropriations and expenditures of a capital nature have not been so described and have not been entered on the balance sheet in this way. You will note, however, that certain types of useful works, works of general benefit to the country, such as canals, airports and things of that sort, as well as certain Public Works expenditures, are entered here. There is not a complete catalogue by any means, we have followed lately a more conservative practice of writing off to expenditure a very large part of our expenditure which does result in having continuing fixed assets belonging to the crown. Now, that is the general principle.

By Mr. Macdonnell:

Q. When you say writing off an expenditure does that really mean that you regard the transaction as finished when you have paid for it and you do not show it as an active asset?—A. That is right, we simply charge it off as an expenditure. For example, the expenditure for buildings on the experimental farms; they are continuing useful things; or the expenditure on an office

building for example, that would save us rent, and in that sense brings us a financial benefit.

Q. Experimental Farm buildings, would they not appear somewhat in here?—A. No sir, that does not appear in this list on the balance sheet of the assets of the dominion. Account is not kept of that in our assets categories.

Q. Take on page 17, there are several items in that list.—A. That is right, there are some; of course, those are negative assets. But what I wanted to make clear was the fact that this list does not by any means include all those things which create fixed assets.

Q. How do you distinguish?—A. Frankly, sir, I have been trying to discover a distinction in recent years and I find it is not altogether consistent, but as far as I can make out many of these works are for the general use of the public and they are listed in the governmental works here, like airfields.

Q. I presume somewhat within the four corners of the accounts they are included, they are not forgotten entirely?—A. They are all listed by the individual departments, sir, and it is necessary if one were going to make a complete list for example on real property owned by the dominion and the buildings on it, the structures on it and the works, that that would have to be assembled by the various departments which administer them.

Q. Could there be a situation where department "X" would have certain assets on its books which are not on record in the Department of Finance, which I take it is the right department in this respect?—A. I think that might well be the case, sir. We do not keep a record of the assets of the dominion other than those which appear in the balance sheet.

Q. There is such a thing as asset accrual, for instance, with respect to properties and buildings. It strikes me offhand as odd that you do not include that among your assets to show the true asset and liability position, that you would not have a complete record of that position.

The CHAIRMAN: May I ask you this, Mr. Macdonnell? Would you like to have appearing in the assets of the country the real value of all the properties and buildings of all the departments to be considered as an asset on the balance sheet?

Mr. MACDONNELL: I do not know that I would answer that categorically. I would like to think it over a little further. It did seem to me odd that the department which has control of the financial position of the country apparently does not keep a complete inventory of the assets held by the several departments. That to me appears odd.

The WITNESS: It would involve a prodigious amount of record keeping because we would have to include not only land and buildings but all the additions to those, and as well the equipment which is put into them.

Mr. MACDONNELL: I think that could be simplified. You might not need to have the complete detail with respect to each item of those assets; but I gather from you that there may be assets existing of which you have no knowledge other than that their existence would be known to the officials of certain departments, not the Department of Finance. It would appear to me that you would be the people who would be particularly interested in the value of those assets.

The WITNESS: Well, sir, they are interested in the assets for the usefulness of them in the work of the department, that is why they are left to that department. But the Department of Finance has never felt that it was worth the tremendous record keeping which would be involved in maintaining a catalogue of all the physical assets of the country.

The CHAIRMAN: Now, just a minute; that is an important point you have there. Would you want the balance sheet of the country to show all the real

estate and all the assets involved in all the departments of government and to be considered as assets of the country? The witness has just answered, of course, that it has not been the policy in previous years, but I was just wondering if that is the point of your suggestion.

Mr. MACDONNELL: I do not like to hedge, but I am going to hedge just a moment, because as I said yesterday it might turn out to be sort of dark horse type of thing. Whether that should be put in the assets or not is a matter of management, I would think. All I am suggesting at the present time is that it seems to me odd that the Finance Department, or perhaps I should say the Treasury Board, should not have a record of those assets.

By Mr. Drew:

Q. As I understand Mr. Bryce's answer to Mr. Macdonnell, he tells us that there may be properties of substantial value held by the different departments of which the Treasury would have no knowledge. That is what I understand your answer to be.—A. We would have no record, sir; we would have a knowledge from past years of what expenditures were incurred.

Q. But no record?—A. That is right.

Q. What I would point out to the committee is this—and after all when I raise the question I am not suggesting that anything improper is being done—but here we have a supervisory department which is supposed to protect the public funds, and yet we find that they have no record of these assets. I am merely asking the question to make sure that the possibility of that occurring does not arise. Now, under the various arrangements that exist at the present time the departments are in a position to dispose of their assets by sale. You realize that is so?—A. Subject to the Surplus Crown Assets Act and other Acts controlling it.

Q. But there are various Acts under which at the present time the departments can dispose of property. Now, if you have no record of those properties in the Treasury department how would you know whether they had ever been disposed of unless they reported it to you?—A. They are required to make certain reports, not necessarily to us, of all disposals; and, of course, the proceeds of such disposals would have to be accounted for under the Consolidated Revenue and Audit Act; but we certainly do not keep an inventory of all the property that could be disposed of.

Q. Now, coming back to the specific point I raised before, I do not know whether you have had an opportunity of studying the question I asked, but I was interested in certain mining properties which have been taken over by the government and have become assets of the federal government. I understand that you agree with me that that is so. Have you checked up on what mining properties the government acquired?—A. I find, sir, that we have in the public accounts only the Eldorado mining stock recorded.

Q. Yes.—A. And if we were going to find out what other mining properties we have, apart from loans and advances made to certain other mining companies—

Q. Yes.—A. And if we were going to find out whether the crown owned any other mining company properties it would be necessary for us to make detailed inquiry from the various departments and individuals concerned and that would take a considerable amount of time.

Q. You see, Mr. Bryce, that answer is one which I must say startles me, from the point of view of ordinary accounting procedure. Assuming that what I have said is so, that the government have acquired mining properties or interest in mining properties, then there are certain assets the nature of which you could only ascertain by extended inquiry.—A. Yes.

Q. Now, under different statutory provisions assets of that kind can be disposed of.

The CHAIRMAN: Yes, they can be disposed by the Crown Surplus Disposal Corporation.

Mr. DREW: Yes, and by other statutory provisions as well.

By Mr. Drew:

Q. Now, in the case of certain mining properties which may have been taken over for various reasons to expedite the war effort it seems to me to be an astonishing thing that Treasury Board would not be able at the moment to tell us whenever any question might be raised about them, just how they stand. That kind of accounting does strike me as being rather exceptional.—A. It is a question of responsibility, the division of authority and responsibility as between the Treasury on the one side and the various departments on the other; and, also, of the usefulness of keeping a central register rather than a record in the various departments and their branches.

The present practice is to rely upon the records of the various departments and their branches and to leave the control of the property in the departments that have it. The statutory provisions relating to the disposal of property, I think, are of importance in limiting the freedom of any officer of the crown to dispose of property if he does it legally. Now, whether it is possible to dispose illegally of property is a matter that would have to be controlled by his own department and those responsible in the department, or those having control of the property.

By the Chairman:

Q. Possibly the War Assets Corporation could enlighten us on that. Are there many other places where property could be disposed of without the Treasury Board knowing of it?—A. Well, sir, I hesitate to say anything on that.

Q. Who would be the officer who could give us that information?—A. I would have to find out even that. Of course, the Department of Justice are the ones we look to when we want to know what the law is on a particular subject and they would be able to ascertain.

By Mr. Drew:

Q. There is no mystery about it. I want to know where I can find out what disposition has been made of certain operating properties that were taken over by the government for various reasons, and I want to find out whether they have been disposed of or whether they have not been disposed of, and if they have been disposed of, I want to know the arrangements that were made for the disposition and the terms under which the sale was conducted. Now, I feel, Mr. Bryce, that that is such an elementary proposition in the supervision of the handling of public property that I should not have any difficulty in finding out where I can get that information.—A. Well, sir, I think if you put down a question, for example, in the House on that point, it would be necessary for the Secretary of State's Department to enquire of the various departments that would have had charge of the property in the past, the answer to be given on it.

Q. But you see, Mr. Bryce—let me qualify any remarks I am making by expressing my own feeling that you have gone out of your way to simplify in every way you can the problem we are discussing and that you have certainly given answers that have been extremely helpful in every case but I would remind you that one of things Mr. Watson Sellar put before this committee was the fact that in his notes the method of keeping our accounts and the presentation of accounts did not effectively bring under the control of parliament the supervision of our financial affairs.

The CHAIRMAN: Did he say "control"? I think his suggestion concerns only the presentation of estimates to us of the expected expenditures.

Mr. DREW: I am speaking from memory, of course.

The CHAIRMAN: Yes, but what you say is important. The two words are vastly different.

Mr. DREW: I am speaking from memory, as I said.

The CHAIRMAN: He gave his idea as to the ways in which estimates should be presented to us, but not as to the control of expenditures once the funds are expended.

Mr. DREW: As I understood it, he expressed the opinion that the method of keeping and presenting accounts should be such as parliament would be able to exercise that measure of actual control over its responsibilities that it is supposed to exercise and which apparently in his opinion it was not able to do today because of the difficulty in finding where these things are.

The CHAIRMAN: Did he say in the public accounts or in the estimates? He said it would be hard for us to locate them at times in the estimates unless we dug into them, but he mentioned time and time again that, regarding the public accounts, we could find the result of the operations of the previous year. I think it is vastly different, and it is some importance to the committee that we do not get mixed up on this. Furthermore, may I say this: if Mr. Drew has something in his mind he should state to the committee: "I want to know what has become of this property or that property" and then we will call here whoever is responsible, to answer that question. If you have in mind any property that is under War Assets we will call the chairman of War Assets here as early as we can.

Mr. DREW: That is my point, Mr. Chairman. We should not have to guess. I do not mean by this that Mr. Bryce is withholding any information which he has, but Mr. Bryce, or any other official of the Treasury Board should be able to tell us exactly what crown properties are held by the crown which are properties other than those that are used for the ordinary purpose of government through its various agencies.

The CHAIRMAN: Do you mean also those which are controlled or under the management of crown companies?

Mr. DREW: Not only crown companies. You see, there were other properties than crown companies; there were operating activities that were taken over by the government, and placed under the direction of appointed management and carried on without actually ever being set up as a crown corporation. Now, what I am asking is, what properties, not a particular property, but what properties in 1949 were held by the government, of the nature that I have mentioned? In other words, companies that could be regarded as active or operating properties such as mines or any enterprise of that kind, industrial structures or anything of that nature.

Mr. MACDONNELL: I think if we had a complete list it would point the thing up and get the point cleared in our mind.

Mr. DREW: I do not want to ask the committee to accommodate itself to my convenience, but unless there is any reason why it should not be done, might I suggest that Mr. Bryce seek to prepare a list of properties of that kind and that we adjourn this session now. I will be frank in telling you why I want to adjourn now. The aeronautics bill is up and I want to speak on that on second reading. It would be a convenient point to terminate this particular question if Mr. Bryce will prepare a list of those properties.

The CHAIRMAN: As far as you are concerned, may I ask if you have any particular properties on which you want information and we will call whoever is responsible.

Mr. DREW: I will mention two, but I am pointing out that neither I nor other members of the committee would be performing our duty if we were satisfied just to deal with those two that I am going to mention. There is a mine in British Columbia that was, according to my information, disposed of either in 1948 or 1949; it was disposed of either in the period covered by the public accounts before us or since that time. If it was disposed of in 1949 there would be a figure there in relation to that?

The CHAIRMAN: It would necessarily be in public accounts.

Mr. DREW: Yes, it would necessarily be in public accounts and it is not one of the amounts that is shown under these various headings that have been referred to.

The CHAIRMAN: If it was disposed of after that date it cannot be either.

Mr. DREW: It would either be in these accounts which are up to March 31, 1949, either as a figure of revenue covering a sale or whatever transaction was made or it would be there as a property operated by the government. Now, my problem is this, that these operations are carried on by different departments and I will refer to another property that has been mentioned here before. It is an aircraft factory at Cartierville, which in the period covered by these accounts was owned by the government and was under lease, and under the lease there would be \$200,000 payable in the period covered by this. Now, I want to know where that \$200,000 is. I also want to know where that property is in the accounts.

The CHAIRMAN: Was it not transferred to Crown Assets Corporation?

Mr. DREW: It is not in Crown Assets.

By the Chairman:

Q. Was not that property ever reported in public accounts?—A. Yes, sir, after Mr. Drew's question—

Q. We cannot divide that—A. —I traced back to see where it last appeared and it appears in the public accounts for 1946 on page VA-37. I will read out the items in the Department of Reconstruction and Supply balance sheet. That department maintained a balance sheet of its own and that is reported in the public accounts there and on page 37 under crown plants privately managed, details of investments and assets as of March 31, 1946, is Canadair Limited, Cartierville, Quebec, and the figures given are investment in plant equipment and property, \$6,917,411.85.

By Mr. Drew:

Q. I am sorry, do you mind repeating that?—A. The investment in plants, equipment and property, \$6,917,411.85.

Under the heading Production Assets Including Working Capital Advance and Unadjusted Credits, the amount is \$15,401,547.63, making a net total, as it is described at the foot of the column of \$22,318,959.48. I find that property was declared surplus during the following fiscal year and for that reason no entry appears in the public accounts record. It was transferred to War Assets during that year and as you point out was listed by War Assets then, and since March 31, 1949, which is the last report of War Assets, I understand it has been sold, so that any further—

Q. Yes, but it had not been sold in the period covered by these accounts?—A. No, sir.

Q. That is, the accounts that are before us.—A. I understand that but if it were sold it would not appear in the public accounts as being sold, it would appear in the War Assets report as being sold.

Q. It was not, from the information you have and from the information I have, sold prior to March 31, 1949?—A. No.

Q. I think your information will also correspond to mine that it was sold in October, 1949—A. I cannot say that but I think Mr. Malley could say that.

Q. Again I come to this, and I suggest that the committee should consider this matter when we are able to find out, after looking into our public affairs, that an item was shown of \$22 million that disappears as an item from the public accounts.

The CHAIRMAN: We have rediscovered it.

Mr. DREW: It has taken quite a lot of delving to do that.

Mr. THATCHER: I think Mr. Drew's request is sensible there, Mr. Chairman.

The CHAIRMAN: I do not say it is not. I say we have recovered the property. It appeared in 1946 in the public accounts. It was declared as surplus, it was among the properties owned by War Assets, then it was sold and it will be in next year's report.

Mr. DREW: I know. You see, Mr. Chairman, I am simply putting that forward at the moment as an example of why I think that the Treasury Department should prepare a list of properties of this nature which the government held in the period covered by the public accounts which you have under consideration, and incidentally I am urging now as I will urge later, that one of our recommendations should be that the Department of Finance at all times have a list of all property owned by the government and that a system be developed under which there can be no disposition of a property of that kind without the Treasury Department knowing about it immediately and without having some supervisory charge over it. Here was a property in 1949, which had a value of \$22 million. It disappears except to the extent that we have now been able to find where it is through rather an extended period of questioning.

The CHAIRMAN: It has not disappeared. It followed the regular channels. It was declared surplus, and it is in the books of War Assets Corporation.

Mr. DREW: I cannot imagine anything that should be more alarming to the members of this committee than that a property that was in the books at \$22 million and was not an idle property,—now mark this, for no single day had it been an idle property, it has been a producing property,—that that plant should be declared surplus because that is absolutely contrary to the concept we have had of properties—

The CHAIRMAN: As to that, Mr. Drew, the witness is not the proper one to answer that. We will call here Mr. Malley, Chairman of Crown Assets.

I do not want this committee to have anything outstanding here, and as I said if you have any doubts as to these properties we will get Mr. Malley here.

Mr. DREW: What I want now is this: that Mr. Bryce, the official of the Department of Finance, who has been placed forward as an expert in the field of examination of these accounts—

The CHAIRMAN: Of the estimates.

Mr. DREW: I think he demonstrated his ability as an expert in that capacity.

Mr. THATCHER: Or he would have if the chairman had let him.

The CHAIRMAN: Thank you.

Mr. DREW: What I am asking is for Mr. Bryce to prepare a list of all the properties of the type that I have been discussing.

Mr. ROBINSON: You have been discussing a great many different types of properties. Could your question not be made clearer?

Mr. DREW: My question could not be clearer. I want a list of all the properties which are in the nature of active or producing or operating properties other than those ordinary buildings used for the purpose of carrying out the services of the government.

The CHAIRMAN: I will second the motion.

Mr. DREW: That is a very commendable disposition of things.

The WITNESS: I will endeavour to have such a list compiled. I cannot promise it in forty-eight hours.

The CHAIRMAN: No, no, the committee will be here for some time yet, Mr. Bryce. The witness would like more information, Mr. Drew.

The WITNESS: To interpret that, sir, would that include properties in the hands of War Assets Corporation?

By Mr. Drew:

Q. Exactly. I want what is in everybody's hands because without any suggestion that there was any impropriety we find these dispositions of property can take place from one department to War Assets and could possibly be transferred back again. So, I want it under any department or any agency of the government. Are we in any doubt as to what it is that is being asked for, Mr. Bryce?—A. That would include, sir, I take it, any property being operated by an agency of the government such as the factories of Canadian Arsenals limited?

Q. Yes, and so there will not be any misunderstanding, any property that can be operated even if it closed down at the moment for any reason.

Mr. FRASER: Would you want that going back three years?

Mr. DREW: Starting March 31, 1948.

The WITNESS: Starting with the beginning of the fiscal year, the accounts of which we are looking at.

Mr. DREW: Yes, and since you are preparing it, since the questions would naturally follow that, it would save time if you made any enquiries as to the disposition that has taken place since then of any of those properties so we could follow through and find out the present situation.

The CHAIRMAN: I am allowing that. It is outside of our terms of reference, but I think it is quite possible we should try and follow these properties up to the moment.

I wonder if you want to adjourn or if you want to question Mr. Bryce further? We will have Mr. Bryce with us again for another meeting to continue giving us his views on Mr. Sellar's memorandum about estimates, Mr. Thatcher. Tomorrow morning at 11 o'clock.

The committee adjourned.

SESSION 1950

HOUSE OF COMMONS

Government
Publications

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1950
no. 1

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

FRIDAY, May 12, 1950

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister of Finance

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., LL.B.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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1950



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on
PUBLIC ACCOUNTS

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MINUTES OF PROCEEDINGS

FRIDAY, May 12, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Chairman Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Balcer, Boisvert, Boivin, Cavers, Drew, Johnston, Kirk (*Digby-Yarmouth*) Major, Macdonnell, Picard, Prudham, Richard (*Ottawa East*), Riley, Robinson, Sinclair, Thatcher, Warren, Wright.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

Mr. Thatcher moved that the Committee write Mr. H. Marshall, Dominion Statistician, asking him for a letter expressing his opinion as to the value of the decennial census, the costs involved and the reasons for having it.

After discussion, it was agreed that Mr. Thatcher's motion be referred to the sub-committee on agenda and procedure.

The Committee resumed consideration of the memorandum tabled by Mr. Watson Sellar, Auditor General, on April 27, respecting the preparation of the Estimates, and which is printed in *Appendix B* to that day's minutes of proceedings and evidence.

Examination of Mr. Bryce was continued.

At 12.45 o'clock p.m. the Committee adjourned until Tuesday, May 16, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Friday, May 12, 1950.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, we have a quorum. You know each time I open a meeting I think of a very good friend of mine, Mr. Vien, who, when he was presiding in committee of the House of Commons, would give us a lecture on ethics when he was opening a meeting. I have to give the lecture in order to explain the order of business of the day. We have Mr. Bryce again with us this morning to complete the evidence he is giving on Mr. Sellar's memorandum on the estimates. That memorandum was submitted on April 27, I think. Have you any questions on that memorandum? If you do have any questions Mr. Bryce is here as a witness to answer them, and questions on that subject are in order.

Mr. THATCHER: Mr. Chairman, may I ask that question I mentioned before the meeting?

The CHAIRMAN: Yes.

Mr. THATCHER: Mr. Chairman, I have one suggestion before you investigate or proceed with Mr. Sellar's memorandum, and I want to follow it up by a motion. It follows the remarks Mr. Bryce made yesterday about the decennial census. Since the last meeting I found that the cost of taking the census in the prairie provinces instead of being half a million dollars is \$2,100,000. I think that a great saving could be effected here. I am bringing the subject up at this time because I would like the committee to write Mr. Marshall, the Dominion Statistician, asking him for a letter expressing his opinion as to the value of that census, the costs involved, and the reasons for having it. My reason for bringing it up this morning is that I fear we may not arrive at the place where we can hear evidence from Mr. Marshall and in that case I would like to have a letter from him for the information of the committee; and if I am in order, seconded by Mr. Wright, I move that such a letter be written to Mr. Marshall.

The CHAIRMAN: Of course, in accordance with the decision made by the steering committee such a move would not be in order, but since you are so anxious about it I will see that this matter is referred to the next meeting of the steering committee and I will get in touch with Mr. Marshall. I doubt if it would be very fair to a civil servant to ask him just to state his views in a letter if we did not give him an opportunity to come before the committee and explain them. Our present order of business may be completed in three or four more meetings, and as we heard in the House, we will be here until the end of June, so most likely we will have many more meetings.

As soon as we are through with Mr. Sellar's memorandum on the estimates as well as the report of the Auditor General, the steering committee will meet and decide what is the next order of business; through your representative on that committee, you can press your point. In the meantime I will put the motion to the committee if you wish but I think it is out of order because we are not at the moment on the public accounts. If you wish to follow my suggestion rather

than make your motion at this moment in an irregular way as far as our proceedings are concerned, I will get in touch with Mr. Marshall and inform him about your request, and if he feels in all fairness to his department and to himself that he can sum up his views in a letter, so much the better. If he feels however he would rather appear before the committee, then I will have the matter brought before the steering committee within a week or so, as soon as we are through with the subject before us, the steering committee will decide if the next order of business will be to call Mr. Marshall.

Mr. THATCHER: That will be quite satisfactory.

Mr. BOISVERT: Do you not think that such a recommendation will be contrary to the constitution?

The CHAIRMAN: You are right, Mr. Boisvert, any change as to the date when the census is to take place would mean an amendment, because that is laid down in the British North America Act. However, Mr. Thatcher wants to pursue this idea and investigate whether it might be possible and whether the statistician would like to make such a recommendation. If Mr. Thatcher will accept my method of proceeding, I will do what I have outlined.

Mr. DREW: Of course, Mr. Chairman, since the subject of the census has come up from a constitutional point of view, I will point out there was an occasion when the census was not taken by the government, following an amendment, and I have no doubt they could dispose of the census now because they assume the authority to declare when circumstances arise to justify the suspension of the constitution.

The CHAIRMAN: That is a question of policy and polities; the committee has nothing to do with it at the moment. You are interpreting the views of the government without being in the government.

Mr. MACDONNELL: It is so much easier to do it that way.

The CHAIRMAN: Yes, so much easier to do it when you are not in the government.

We are on Mr. Sellar's memorandum. Have you any questions?

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, recalled:

By Mr. Robinson:

Q. I understand from our earlier discussions that a large amount of appropriations lapsed in 1948-49. I wonder if you would be kind enough to tell the committee what, in your opinion, you consider the main reasons for such lapsing and whether you think a revision in the form of the estimates would help to avoid that sort of situation?—A. Well, sir, the main reasons for the lapsing in 1948-49 were several: first of all in importance, I would say, was the difficulty in getting construction work and similar work projects undertaken. At that time there was a shortage of labour and material and a shortage of contractors and for that reason the government was unable to carry through in many cases the construction projects that were included in the estimates. I would say that was the No. 1 cause. The second cause, I would say, it was necessary in these early postwar years to make rather far-reaching predictions as to what was required for increases in prices and costs of carrying on government services, and where it turned out that prices in regard to materials, let us say, or other things, did not go up as much as was expected, that would leave funds available in the vote. Nowadays the price situation is more stable, and it is possible to estimate and predict more accurately. A third reason for those lapses is that many programs were being reinstated after the war or were being expanded in

accordance with the general policy at the time and when a program is new or expanding it is more difficult to estimate accurately what can be spent on it and what will be spent on it. Those are the main reasons.

Now, your second question, is: would a change in the form of the estimates make it possible to avoid so much lapsing. I would say, yes, some changes in the form would. If you will note Public Works Department's estimates this year are covered in a different manner than in previous years. The votes themselves, in the estimates volume, for instance, are altered. Will you look under the architectural branch, construction, repairs and improvements of dominion public buildings, that is on page 40. This year there are totals given only for each province for the construction, acquisition, repairs and improvements of, and plans and sites for public buildings, whereas last year those were all detailed in the text of the estimates items themselves. Now, this year in the back of the estimates book, on page 222, in this case you will find a whole list of projects on which the vote may be expended and the total is then given, but at the bottom is a short paragraph deducting the estimated amount by which actual expenditures on all listed projects will fall short of the total amount that may be required for each. You will notice that under Nova Scotia, under New Brunswick, and under the votes for other provinces. That change in form will restrict the expenditures to the projects that are listed, but makes—

Q. Let me get that clear: you have Nova Scotia on page 222, is that right?—
A. Yes, sir.

Q. Well, if the first item, Barrington Passage, is not completed in the fiscal year, it will require to have a revote.—A. Eventually it will. It will have to be in next year but it means that in the \$102,000, that has been deducted, an allowance has been made for the fact that it is likely that all of this cannot be completed to the degree that would call for the expenditure there. That change in arrangement will eliminate much of the lapsing that has taken place in the Public Works votes in recent years, where it has been most prominent and large. The suggestion made by Mr. Sellar for lumping together certain administrative and other votes might mean that we could cut down lapses because we might estimate slightly more finely for certain services, and if contingencies arise making it impossible to spend money under the one heading, you may still be able to cover them under the other. However, the suggestion that Mr. Sellar makes for lumping under the text of the vote the amount that may be spent, let us say for travel expenses or for salaries or for printing, as I think he suggests in one of his paragraphs, means that we cannot use more for that heading within a vote than is set forth in the text. If that is done departments will undoubtedly wish to safeguard themselves by providing a little more under those headings than they have provided, if there is no possibility of transferring from other headings as there is now, say when they run short of travelling expenses but not of freight and express:

Q. The word "cushion" was used in this committee. In other words, they will provide a better cushion?—A. Yes, they will allow more for contingencies. But the more it is tied down, the more people will try to have a cushion in there, and that will probably bring up more lapsings.

By Mr. Macdonnell:

Q. But on this question of lapsing is not a cushion an incitement, let us say, to government services to spend money that is not necessary to be spent? What I mean to say is this: there is a type of mind that if they have the money they will spend it. I am not going to refer to anything in particular. We are talking now, of course, about overall control, and what can be done by overall control to deal with good old human nature which is at work. Now, I think I understand the reason for these cushions, and I think they are just full of danger. On the

other hand it may be that the cure may be worse than the disease if you tie people down so that they cannot go through with a job when it needs to be got through with. There seems to me to be somewhere where we have to rely on those who are dealing with it to guard against it. Has the setup and structure of the Appropriation Act anything to do with it? I get the impression from what Mr. Sellar said that the Appropriation Act was drawn in rather general terms and did not tie in with the estimates, but as I look at the Appropriation Act of last year, it seems to me it does tie in pretty tight to the estimates referred to. In the beginning of the schedule attached to the Appropriation Act, I read:

The amount hereby granted is \$440,983,724.09 being the amount of each of the items in the estimates as contained in this schedule,

—A. I do not feel myself that the Appropriation Act follows any latitude that should not be there; it does tie you down to expenditures for the amounts and for the purposes in the estimates.

Q. Are these estimates in the schedule identically the same as those in the estimates?—A. Yes, sir, that is the intention. The first part of the estimate book contains those items that will be printed in the schedule in the Appropriation Act.

Mr. RILEY: What do you think of Mr. Sellar's—Pardon me, Mr. Macdonnell, are you through?

Mr. MACDONNELL: Yes, I am through, unless Mr. Bryce has further comments to add.

The WITNESS: Mr. Macdonnell asked whether the existence of the cushions that may lapse at the end of the year in estimates lessens the control over the expenditures. I think there is no doubt that the greater the amount by which an estimate exceeds the expenditure you can actually expect and that actually takes place, the less the control that is exercised by the estimate. I know the Treasury Board is endeavouring to get estimates as realistic as possible.

Mr. MACDONNELL: If you were in a business you would recognize that there are going to be these things and would not leave it to the individual department to provide a cushion, but you would provide a general cushion. A general cushion no doubt could be well handled by the Finance Department who are reputed to be tough babies; but seriously in a case like this it does seem to me that you may have an individual cushion—I am not going to mention any particular one, there is no point in doing that—where engineers are doing a certain job and they get to the stage where it is pretty clear they do not need to go on any more but it is realized by them that they have a cushion and they go on and do the job.

The CHAIRMAN: Do you think they would go on spending above their need just to use the cushion?

Mr. MACDONNELL: I think I know a case. I think it does arise. Would it be possible to end the practice of having individual cushions and instead have an emergency fund that could be used—I will not say a general fund for the whole service?

The CHAIRMAN: For the whole department; otherwise it would be out of control.

The WITNESS: Well, sir, I should say we have moved to some degree in that direction already. There are two general votes in the Department of Finance that are specifically provided for that purpose, one is what we call "the general salaries vote" in this year's estimate. It is No. 104 on page 17. That enables us to look after increases in salary, reclassifications, unanticipated salary costs in other votes without having to allow a cushion in other votes. We exercise a very close control there.

Mr. MACDONNELL: And you exercise that control over all departments?

The WITNESS: Yes, sir.

The CHAIRMAN: You are right, Mr. Macdonnell.

The WITNESS: Then there is a general contingency item as well in the Department of Finance vote, it is vote No. 101. It provides, subject to the approval of the Treasury Board, for miscellaneous minor and unforeseen expenses, including recoverable advances for working capital purposes, and for the re-use of any sums repaid to this appropriation from other appropriations.

Again, that is working in the same direction as you mentioned. We are trying to centralize our contingencies and exercise some control over the use of them.

The WITNESS: However, those particular votes are relatively small this year and we have to use them very sparingly, and the departments naturally like to have their own vote provision for contingencies, although there is nothing there shown in exact detail.

By Mr. Macdonnell:

Q. When you go over the estimates of the various departments can you give us the total of that figure or is that just buried in the consciousness of the various departments themselves?—A. That is buried in their own consciousness, sir; part of our job in going over the estimates is to try to detect where those exist.

Mr. DREW: It is a sort of double question.

The WITNESS: That is it, a sort of cushion within the vote. I think it is fair to say that the senior officials of the department go through their votes as carefully as they can with a view to eliminating anything of that kind, trying to keep the estimates of their various branches and divisions as low as possible.

Mr. MACDONNELL: Is not Mr. Drew right; is there not a cushion that is recognized as being a reasonable allowance for contingencies, one which inevitably you would know about, and another sort of cushion which operates in their own consciousness, as you say?

The WITNESS: That, as I say, is one of the things that we try to detect, but we still feel even if we do not know, that there is some duplication in that respect.

Mr. DREW: How successful are you?

The WITNESS: As successful as we can be.

Mr. DREW: I am serious. To what extent are you able to determine the extent of this strategic reserve, to use a military term?

The WITNESS: I do not believe that we have found all of them because it is exceedingly difficult, it has been exceedingly difficult under the circumstances that I mentioned in answer to an earlier question to make a really accurate forecast of what expenditures will be under circumstances where programs are changing, where prices and cost levels are changing; and where we get into so many types of projects where it is exceedingly difficult to estimate in detail in advance just what they will cost; that is where you run into that sort of thing.

Mr. MACDONNELL: As I understand it, if you were to do away with the present system of lapsing you might avoid some of this building up of hidden cushions. I mean by that, if they knew that if they did not spend the money within the year for which it was voted it would lapse and be gone forever.

The WITNESS: Of course, it is gone forever when the vote lapses at the end of the year.

By Mr. Drew:

Q. Unless the commitment has already been made and must be paid out the following year.—A. And then of course it must be revoked.

Q. Following your remarks, is it not correct that it resolves itself to this position; the estimates are prepared on the basis of actual undertakings which each department is called upon to assume and perhaps that it will assume during that year, then subject to the requests for the paring of that estimate down, which is the usual departmental procedure, the next step as I understand it is that the department in the preparation of the final figures does not retain what you would describe as a cushion over and above the actual estimate details which their officials have actually prepared?—A. Well, sir, there is no cushion that is put in there explicitly.

Q. I know, that is exactly the point, that it is not put in there; but as I understand it you say there is an amount there—and I do not use the word in any sinister sense—there is a hidden cushion, if you like to give it that term, which is really an undisclosed contingency item, not disclosed as a contingency provision.—A. It is what they put in as a maximum to which they will be limited, and in proposing that amount they will naturally wish to have as much in there as will take care of their operation needs as they see them, and for that reason there is a margin there within which they may work. Our job in examining the estimates, and the job of parliament as well, I presume, is to endeavour to find out whether there are unreasonable margins of that kind.

Q. And where you admit that there are cases in which you cannot locate hidden cushions of that kind it simply means that we have absolutely no way of knowing whether there is that kind of a contingency involved in the amount.—A. That is true, sir, and it depends on how much time and effort we can put into examining the details and the history of expenditures on that item in itself. I might say that there are difficulties involved in doing that and one of them is that we have to examine the estimates before the expenditures for the previous year are fully known to us; in other words, we must examine on the basis of anticipated expenditures for the preceding year whereas when they come before you for consideration in parliament the expenditure for the preceding year is more accurately known. It is a job which involves a great deal of detailed examination of the amounts being provided in the various categories.

Q. Then let us follow that one point further—and I am qualifying my question by the very pertinent statement that I recognize that you must be practical in matters of this kind—in examining these items from the business point of view would not the better accounting procedure be for whatever actual contingency reserve is regarded as desirable in the preparation of the estimates, for that to be consolidated into one openly declared contingency item instead of having them retained in the item of the branch or department to which they relate in the estimates? Would it not be more desirable to have that lumped into one contingency fund item?

Mr. ROBINSON: What would you do with that contingency fund?

Mr. DREW: It would all be brought into a central fund.

Mr. ROBINSON: And by that are you suggesting that it should be voted by order in council?

Mr. DREW: No, most definitely not. That is the one thing I am opposed to, I want to see the actual votes on these items.

Mr. MACDONNELL: All that would be involved would be the allocation of the supplementary amount required from this central contingency fund if a particular vote were exceeded.

Mr. DREW: That is what a contingency fund is for. Why not have one central fund for the purpose instead of having a number of small accounts for the same purpose; is there any difficulty in that?

The WITNESS: Only this, sir, in some cases in the large votes you may be fairly sure that while under the subheadings you can eliminate contingencies you know that somewhere in that large vote they will very likely find it—it is a question of probability, and the distribution of the probabilities. In a large vote, for instance something like the building vote for Ontario of \$10 million; now, that covers a large number of items which you will find on page 225. In there there is in fact a negative contingency provision where we deduct at the bottom of the page there this item I described because while we can be fairly sure that every one of the projects listed on pages 225 and 226 will not go forward in exactly the amount specified, on the whole we form a judgment that as much as \$10 million may reasonably be spent. I am not sure that we would give parliament a proper picture of the probable expenditures if we took out of large votes of that kind a provision for contingencies within the various projects covered by the vote and lumped it into a single vote because the chances would be more than fifty fifty that we would have to allot some of that contingency item to that vote. Consequently it is a question of reconciling the desirability of centralizing your provision for contingencies in order to reduce it to the minimum necessary and to keep a degree of control that is useful, to centralize it on the one hand, against the desirability of showing it as close to where it will be needed as possible, in order to show to parliament a proper forecast of our requests for expenditures under these various heads. For that reason we have in the Department of Public Works, in the terminology we are using this morning, a contingency vote for supplementing other votes in that particular department. It is found on page 44 where there is a vote, No. 356—to supplement, on approval of Treasury Board, except where less than \$500 is required, any of the appropriations of the Department of Public Works; and then, 387, immediately below that is a similar vote; it is to provide for balances required to complete any projects undertaken in previous fiscal years and for which no specific provision is made in the fiscal year 1950-51. These are somewhat similar small votes that can be allotted to meet contingencies that are not specifically provided for in the estimates.

The CHAIRMAN: For the purpose of clarity of the record would you mind explaining the item to which you referred on page 226, the special note at the bottom of the page there? I notice that the total amount of the vote as indicated on that page is \$11,112,000 and that the amount taken off is apparently 10 per cent of that, \$1,112,000, leaving the net amount of the vote at \$10 million. Would you mind doing that?

The WITNESS: Yes, sir. As you will see, that vote is for the construction, acquisition, repairs and improvements of, and plans and sites for, public buildings in Ontario; a vote which appears on page 40, vote No. 297; and then you come back to this page 226—I should say pages 225 and 226—to find the details in a list of the objects on which the expenditures will be made under that vote. The estimated amount required for the construction of the projects in the fiscal year 1950/51 is listed after that. In total all of those amounts come to \$11,112,000. Now from that is taken this amount described in the note down here:

Less: Estimated amount by which actual expenditure on all listed projects will fall short of the total of amounts that may be required for each.

The CHAIRMAN: That is 10 per cent.

The WITNESS: No sir, that is related to the projects.

Mr. DREW: That is a deduction.

The WITNESS: Yes, that is a deduction of those cushions that might be said to be excessive with respect to individual items in the vote.

Mr. JOHNSTON: You are assuming that there are those cushions there and you just deduct it.

The WITNESS: That is right, sir; they are not cushions in the sense that they are wrong items, these are cushions because collectively they constitute an element of that kind. We know from experience that let us say—take the additions and alterations to the Royal Canadian Mint, if that goes ahead as quickly and as effectively as planned \$250,000 would be required but we know from experience that every one of these dozens of projects cannot get ahead as quickly as planned because there will be delays owing to the difficulty in getting supplies and materials, placing contracts, and one thing and another of that kind; so while we enter the requirements as estimated, and the amount that would be required if they went ahead without any delays of any kind; but we know from experience, as I said, that they will not all go ahead just as smoothly or just as quickly as planned, and that is why we deduct the amount shown here at the bottom of page 226, \$1,112,000.

The CHAIRMAN: And that is 10 per cent?

The WITNESSSS Approximately 10 per cent.

The CHAIRMAN: Would it be 10 per cent in each case, or would it be 10 per cent of all?

The WITNESS: It is not 10 per cent of all because some account is taken of course to the likelihood of these things arising. For instance, you will see that in Prince Edward Island there are only three items and in that case there are no deductions. In Nova Scotia there is a total of \$1,452,000 and with respect to that there is a deduction of \$102,000, and we have just reviewed the Ontario position.

Mr. WRIGHT: Does the Treasury Board decide the amount of time the department has before them, or do the departments themselves determine the amount of deduction to be made?

The WITNESS: That was worked out after discussion between the officers of the Board and the officers of the Department of Public Works following a discussion between the Minister of Public Works and the other members of the Treasury Board.

The CHAIRMAN: In other words while a contract may be estimated on a certain basis to a fixed amount, in the light of experience you make a certain pro rata deduction of the kind indicated here?

The WITNESSS That is right, sir.

Mr. DREW: So in these cases the cushions are added cushions?

The WITNESS: That is right.

Mr. MACDONNELL: You could be pretty sure that those amounts would not be needed although the officials of the departments might ask for the larger amount.

The CHAIRMAN: Well, Mr. Macdonnell, we are not psychoanalysts.

The WITNESS: In some of the other large votes, for example in national parks, there is a large amount for construction projects. Well, in making up that vote we will have gone through it on a similar basis. We will have looked over the amount they assume will be required to enable them to get all their work done; but again, in the light of experience, Treasury Board appreciate that it would be most unlikely that they would be able to cover the whole of their program and a deduction of this kind will be made. That is all part of the management process which Treasury Board exercises in determining the vote or budget, and I assume the same thing is done in normal business in determining its budget; that is, to look over the requests from various divisions or units of the organization and to eliminate what it thinks can be eliminated to get the true picture.

By Mr. Drew:

Q. Now then, Mr. Bryee, we have a somewhat different situation on page 226 as compared with page 44. On page 226, as you have explained, the figures that are given for various reasons are more than the amounts actually spent during the year and for that reason there is an approximate automatic deduction of 10 per cent; then, on page 44 you have a different situation. In that case there is a definite allowance and contingency provision, under item 356 there. Now, does this not bring us to the very point made by Mr. Watson Sellar, that it is desirable that there be uniform definitions and uniform terms. I think you agree that contingencies in most of the other departments do not appear in that clearly stated form.—A. That is right, sir.

Q. Is there any practical reason why contingencies in the other departments should not be stated in the same way so that there could be a consolidation of contingency procedure under one total?—A. I think the practical reason for that is that by tradition the Public Works projects have been set forth and listed in much greater detail in the estimates than in the case of other departments. For example, if you look at the Department of Transport under air service you will find there a very large vote for the construction and improvement of airports and airways, \$9 million odd—that is on page 62; and the detail of that is given on page 229, and you will notice that it does not go into anything like the same amount of detail in relation to the projects involved such as air service, radio service and so on. Now, the significant feature of it is this, that the wording of the vote does not limit the expenditure on these projects in the same way as is the case in respect to the Department of Public Works; and the result of that is that if a contingency arises in the requirements for the construction of airports or airways it can be met simply by shifts within the program whereas such a course is not possible in the Public Works program because by tradition the details are much more closely set forth and limited in the estimates themselves. I think that is the main reason why we do not have votes such as vote No. 356 or 357 in other departments.

Q. Well now, this question of the difference in practice as between the departments is one of the very points that it seems to me is brought out most strongly in the suggestions submitted by Mr. Sellar, and during the last few days we have been discussing the summary which was prepared on what you might describe as the functional nature of the estimates and it seems to me that from the point of view of a clear understanding of these estimates it would be much better to have a figure set out—I recognize quite clearly that it is desirable by practice to take some figure, whether it be 5 per cent or 10 per cent, which would be adopted as a contingency fund amount, and then that contingency amount would be included in precisely the same way as is the case with the Department of Public Works although the percentage might vary with different departments based on actuarial experience, and that then all of these contingency funds should be subject to the same conditions which attach to the contingency fund in Public Works, and that before the expenditure of any part of that contingency fund on additional requirements they should be subject to the approval of Treasury Board; is there any practical difficulty in that way of carrying it out that you can see?—A. It would increase some of the work of Treasury Board which is already quite substantial, and it would delay the application of some of these items; apart from those two, I do not see any difficulties that cannot be overcome.

Mr. ROBINSON: Would that not also remove more control from parliament?

The WITNESS: In some measure in the sense that contingencies would not be limited within the votes, not in the way that is provided in the estimates as they are now set up.

By Mr. Drew:

Q. I want to make it quite clear that in stating the proposition and in asking the question I am making no suggestion that this be a central contingency subject to free allocation by order in council. What I am suggesting is that there should be a contingency provision in the department itself, and that while it would be available for use as required, that such use would be subject strictly to the control and approval of Treasury Board. Isn't that essentially what you do now?—A. That is right, sir.

Q. That it should be a contingency fund and the use of that fund would in turn be subject to approval by the Treasury Board as I understand is the case at the present time in connection with the items in the Public Works Department estimates, with provision for the allocation of amounts already set forth.

The CHAIRMAN: And then it would be done by order in council. Even although approval of Treasury Board was required these additional expenditures would have to be authorized by order in council.

Mr. DREW: No, approved by the Treasury Board.

The CHAIRMAN: Then it would need an order in council to transfer the amount.

The WITNESS: No, a Treasury Board minute would do.

The CHAIRMAN: Authority would have to be obtained from Treasury Board before any items could be transferred from this contingency fund.

Mr. ROBINSON: It seems to me that by such an arrangement you would lose the control by parliament and in placing that you would have control by order in council.

Mr. DREW: In the case of such a contingency fund as I have been discussing with Mr. Bryce the operation would be like this; when a department needed additional amounts to complete any of its several projects they would apply to Treasury Board and Treasury Board would authorize the allocation of the amount that might be required out of this fund. You would have a supplementary control to the control now exercised by parliament.

Mr. ROBINSON: As I understand it, what you are proposing is merely a contingency fund which would operate as a cushion, that is essentially the same thing as we have been discussing here, the cushion which usually appears in estimates for construction projects of the type concerned. Isn't that the case? May I also say that I do not think it is a cushion in any sense.

Mr. MACDONNELL: Surely, under the estimates, parliament is getting more control because we are getting away from these undisclosed private cushions and we are going to have a situation where parliament will authorize a definitely recognized contingency fund and I think that is a more practical way of dealing with this problem than is the practice at the present time where the thing is definitely left to the initiative of the various departments.

The CHAIRMAN: I would like Mr. Bryce to tell us, if he can, if there is any better way by which they could find these cushions, as they have been called.

The WITNESS: Well, sir, the finding of these cushions is essentially a matter of detailed examination and perhaps intuition in some cases, as I know from experience; it is not a thing that can be easily identified, perhaps even in the minds of the people that are requesting them. Just as an example I have picked at random an item here by opening the book at page 86 where you will find the details of the vote for production service-Agriculture and take the item down toward the bottom of the page there on supplies and materials \$33,000; of course, there may be a contingency element in that item within the vote for "plant products; seeds, feeds, fertilizers, insecticides and so on". The several

sections of the branch indicate the amount they are likely to require and then that is taken up by the Deputy Minister of Agriculture and the Minister of Agriculture who will examine their own officers concerned as to whether they really require that amount or the extent to which they are allowing for contingencies.

Mr. MACDONNELL: I do not know how complete the controls of Treasury Board are, but let us assume there is a request for a cushion there, I take it that Treasury Board will be in a much better position to detect it and to take care of it than to have that detail left to control by parliament.

The WITNESS: Yes.

By Mr. Drew:

Q. In any event is there not this very simple proposition? There is no suggestion of there being a general fund that can be applied in a different way than was originally intended; you have specific items, and then we know, as a matter of practice, that an estimate for a particular building, we will say, may not have been adequate. Well, then, we have this contingency reserve and the department would ask the Treasury Board for an additional amount to pay the amount by which the actual requirements were in excess of the amounts originally estimated, is that not so?—A. That is how I understand the suggestion you are making.

Q. In the case of the Department of Public Works, that is what happens now?—A. Yes.

Q. So in each case, where there would be an allowance from the Treasury Board from that contingency fund it would relate to an item which already had been specifically approved by parliament?—A. Yes, sir.

The CHAIRMAN: May I tell you it is twelve o'clock now. So there will, not be any prejudice suffered by anyone who is speaking at a quarter to one, I may say I have to adjourn the meeting at a quarter to one.

Mr. RILEY: Mr. Bryce, what do you think of Mr. Sellar's suggestion that there should be a more precise description in each vote of the purposes for which the funds are to be used, and do you find any difficulties arising in the administration from the ambiguities in the wording of the votes?

Mr. ROBINSON: Mr. Chairman, this being the thirteenth anniversary of the coronation of the King should the committee not rise while the royal salute is being fired?

The CHAIRMAN: Certainly, gentlemen, please rise.

The WITNESS: Mr. Riley's question, as I understand it is: whether any difficulties have arisen from the lack of precision in the wording of estimates which Mr. Sellar has drawn attention to, and whether we felt in the Treasury Board that it would be an improvement to make them more precise. Well, as regards administrative difficulties arising from the wording, I am not familiar with any difficulties of any consequences that have risen. Normally, it is well understood by the departments and by the Comptroller of the Treasury what expenses are properly chargeable to what votes. The naming of the votes, in fact, in the estimates now, is a largelay conventional naming and primarily for the convenience of members of parliament and departments in identifying the votes. If parliament wished to have these votes more precisely described I do not see that would be open to any more difficulty than merely extending the length of the estimates book slightly, and the schedule to be attached to the Appropriation Act. As the committee may know, votes for administration of which there are numbers under each department can, in fact, be used for a wide variety of purposes. We have had legal opinions given on that in the past. So, when you have votes for administration the wording of the votes anyway does

not normally tie down the purpose within that field very rigidly, so I think it is largely a question whether parliament feels it would be more useful to have more precise wording as Mr. Sellar has suggested in a number of cases.

By Mr. Drew:

Q. Take as an example, Mr. Bryce: First, we have already seen by your reference to the Department of Public Works, that individual buildings are shown and the estimate for each particular building, and whether the cost in the end is the exact amount set forth or not, it is related to that estimate. Now, not dealing with the general statement but with what are described as details, let me refer to page 169, under the Department of National Defence, where I read: General—acquisition, construction, purchase, maintenance, repairs, rentals and operating expenses of properties \$22,492,208. That of course, is just under the army alone. Do you think that is consistent with the practice adopted by the Department of Public Works or by the other departments, and do you think this helps us in any way to understand that item which is not detailed?—A. Certainly sir, that is a much wider category in detail than is normal in most departments, especially the Department of Public Works. That general question in relation to the detail furnished by the Department of National Defence was raised some days ago in the committee, and as I said at that time, it was decided upon shortly after the war, having in mind the considerations of security at the time and other things. I have since consulted with the Minister and Deputy Minister of National Defence and they have consulted with the officers of the services and I believe that they would be prepared to have us show in future years details for the estimates of national defence on a plan that is much more closely like that in other departments.

Q. I must say if nothing else has been accomplished by our meeting of the Public Accounts Committee that in itself is a great achievement because the next item, either during the war or after, could not relate to security at all. The next reads: Personal supplies and services: food supplies, medical and dental supplies and services, clothing and personal equipment, barrack, hospital, camp, and miscellaneous equipment, laundry and dry cleaning to a total of \$19,111,212. I do not think there is much security wrapped up in those items.

Mr. CAVERS: Mr. Bryce, I was wondering whether it was practical to provide the explanatory material for all departments that is provided by the Department of Public Works or the Department of Finance. In other words, would it not be possible for any of the other departments to provide the details suggested by Mr. Sellar?

The WITNESS: You have raised two points, Mr. Cavers. First, whether we could provide the detail for projects similar to that which is in Public Works, and secondly, what would be the problem of supplying the sort of explanatory material Mr. Sellar suggested in his memorandum. First, in regard to the detail, it has been traditional to supply a great deal more detail in the Public Works estimates because members of parliament were always more interested in where post offices, customs offices, wharves and public buildings were being provided to a much larger extent than they were as to where buildings were being provided at experimental farms or where a building was being provided at an airport or something of that sort. Now, if parliament wished the details, let us say, of the national parks program, or the airports and airways program in the Department of Transport, to be listed and detailed in the way the details are in Public Works estimates, that would be a question that relates to the degree of flexibility within the programs of those departments, and so I think I would hesitate to offer a comment on a matter such as that. It would more properly come, I think, from the minister or others responsible for those departments, after giving it some thought. Broadly speaking, as I indicated some meetings ago,

there has been a general move towards segregating capital programs and showing them separately in votes, and the question you raised could it be carried a step further and segregate the items within those votes and specify them in the estimates? I think in some cases it could but in other cases it would require settling the details of those programs much further in advance than it has been possible to settle them in recent years.

Mr. THATCHER: Getting back to this matter of cushions, I am not clear on one or two things. Would you turn to page 14 of the auditor's report?

The CHAIRMAN: Switching again to public accounts, Mr. Thatcher!

By Mr. Thatcher:

Q. Does this auditor's report indicate there in item 48 that that \$136 million lapse which is sixteen per cent of the total granted by parliament—does that indicate that your department or any other department was out in figuring the cushion by sixteen per cent?—A. Well, in a sense, yes, but in a sense, no, because we provided, let us say, in the case of Public Works here, that is the case we were speaking of, the Treasury Board agreed that Public Works might have for that purpose \$33 million more in estimates than what they spent. One reason for that was if they could go ahead with building projects they should be able to do so on financial grounds. The reason they could not go ahead however, was shortage of building supplies and contracting facilities. So that represents to that extent a difference between the financial limitations that were being placed on the department and the physical limitations placed on the department. So, to some degree, it does not represent an error, merely a difference in the degree of limitation by those two factors.

Q. But last year it is a fact that there was this cushion, if you want to call it that, of sixteen per cent. We see that from that figure. I am just wondering if the Treasury Board needs more staff or something to check up on this. I do not see how they could be out sixteen per cent, or somebody is out sixteen per cent. That is quite a terrific cushion.

The CHAIRMAN: I think the witness has already explained that but he should give it in more detail, that it is the physical and not the financial limitations; they could not find the materials to do the work,—but I would rather let the witness speak.

The WITNESS: Yes, we have made financial provision in there for certain things that could not be carried out because of physical or administrative obstacles, so that these lapses include not only amounts that were recognized at some level to be provision for contingencies but they also include amounts which they, in fact, planned to spend, but where physical or administrative obstacles arose and prevented the expenditures being made.

By Mr. Thatcher:

Q. Well, Mr. Bryce, I am still not just clear as to how the Treasury Board decides what cushion each department needs. You said you knew of some but not of others. Could you tell us about the ones you do know of? Is it calculated on a percentage basis?—A. No, no, it is a question of judgment in the particular case as to what can reasonably be allowed in a particular circumstance, in a particular vote, or a particular department for contingencies that they cannot be sure will arise but which may arise.

Q. Take the Department of National Health and Welfare, for instance, how would they be out \$23 million? Does that mean Mr. Martin had a cushion of \$23 million?

Mr. MACDONNELL: He does not need it as much as some of the rest of us!

The WITNESS: Well, sir, if you look at the items you will note nearly all of that in the Department of Health and Welfare is accounted for in lapsings in vote 797, which was a vote for the health grants of one sort or another to the different provinces. Now, I am not sure whether that was the first year in which these grants were in effect, but the amounts provided there were being offered to the provinces so that if the provinces were able to take full advantage of them they could. Now, in fact, they did not take full advantage of those and it would have been awfully difficult for them to have done so quickly. You will note in this year's estimates for Health and Welfare an endeavour is made to estimate the extent to which they are likely to take advantage of them, and the amount of \$25 million, as I recall, is provided there, even though provision is made in the details for the full amount of the grants that each province would be entitled to make use of if it wished to do so, and were able to do so, so the wording of vote 239 in the present year's estimates, I think, is an endeavour specifically to meet the point that you raised in regard to these large lapsings under vote 797 in 1948-49.

Mr. THATCHER: One further question—

The CHAIRMAN: Just before you put that question, Mr. Thatcher, for your own information, may I refer you to page 180 of our proceedings, where Mr. Sellar gave exactly the same explanation to Mr. Macdonnell in regard to that \$23 million lapsing. Mr. Sellar's answer will be found on page 180.

Mr. THATCHER: I am very sorry, I suppose I was not here, but I wanted that information.

By Mr. Sinclair:

Q. I would like to ask a question. One of the main interesting observations of Mr. Sellar was in connection with what you might call revenue departments where there was revenue coming in because of services provided to the public or to other government agencies by the department. Today, that revenue goes into the consolidated revenue fund and there is no crediting of the department with that revenue. If it was a business firm, whatever revenue was collected would undoubtedly be credited to the department concerned. In the past, Mr. Bryce, has there ever been an effort made in the estimates to show the revenue obtained by one of these departments or branches and thus show a net amount which had to be provided out of the treasury to carry on the department or branch.—A. Well, sir, that leads into quite a large issue, but in answer to your specific question, we have in the past and at present made provision for the net requirements in two or three votes. I believe, if one looks at the vote for treatment services in the Department of Veterans Affairs, page 317, you will see that the amount that is requested is a net figure after making allowance for certain revenues of the service or expenditures that can be charged to other votes.

Q. Yes, on one point you raised there, that is quite true but the actual revenue which is obtained from that department is not shown anywhere in the estimates.—A. The actual revenue that has been obtained in the past.

Q. Yes.—A. That is true, sir, it is not; we do not furnish in the estimates statistics of past revenues. But there is another place where this is done, and that is in the National Research Council where the amount requested,—if you look on page 284, you will note the amount requested is after allowance is made there for revenue. The amount requested is reduced by \$515,000 of estimated revenue which is expected, and which they are permitted to use to help meet their expenditures. However, that leads to a larger question that I take it that you implied as to how general that practice should be. The Auditor General did touch on that in his memorandum. Was it your intention to inquire about that?

Q. That is what I am inquiring about, as to why this practice of National Research Council is not also applied to government branches and departments which are outside of the government.—A. The main reason I think is that if you permit the revenue to be set off against expenditure you might then have to estimate the difference between those two, and it is always more difficult to forecast and usually to control a net amount than it is to control a total amount. If, for example, the Post Office were operated on that basis in arriving at the amount of the item in the estimates you would have to take into account an anticipated revenue of many million dollars, and you would have to anticipate the difference between the expenditures and their revenue. It would mean that it would be necessary not only to estimate in advance annually what their expenditures would be in gross, which we can estimate with some difficulty and perhaps with reasonable accuracy; but we would also have to estimate what their revenue would be, and that is always more difficult; and then provide for the net difference in a vote of a few million dollars—perhaps in some years nothing would be needed. Our feeling has been that we cannot secure as effective a control either for the Treasury or for the government as such, or for parliament, by estimating and controlling on that net basis as we can by controlling on a gross basis. I think one of the few cases where we found by experience that we could overcome that, was in the case of the Research Council. But the practical thinking of the Department and the Minister of Finance has been that a more useful and meaningful control can be exercised both by the government and by parliament by working on the gross basis.

By Mr. Macdonnell:

Q. When you contrast Research Council with the Post Office, you did it with the Research Council because it is smaller?—A. That is one of the reasons but not the only reason, because it is a practical arrangement in respect to that organization. In other instances where the revenue is small it is not so easy to do. However, if the committee felt that it would be helpful in understanding the net position of the service being given; in cases where the services given are covered by a specific revenue, the Minister of Finance has indicated to me that he would see no obstacle in trying to provide in the estimates at the back of the book such figures of revenue or such forecasts of revenue as can be made so that parliament will have an opportunity to see what the net cost of providing that service will be; let us say such a thing as the record of performance services in the Department of Agriculture, or something of that sort.

Q. The Post Office itself would not be quite in the same category as those services to which you just referred.—A. No.

Q. The Post Office does cost the taxpayer generally a net amount.—A. Or, take weights and measures, something of that sort. We could accomplish in that way the informational purpose that the Auditor General mentioned without giving up that degree of control over operations which the Minister and Department of Finance have felt can be best secured by voting the gross rather than net basis.

Q. Is it relevant here, Mr. Chairman, to ask a question which is of particular interest. I think Mr. Bryce mentioned more than one item of the kind I have in mind in which capital amounts were involved. I do not know whether that is relevant now or at some other time, but I would be very interested in having Mr. Bryce comment on it.

The CHAIRMAN: I suggest it would be better to leave that until later on.

By Mr. Macdonnell:

Q. Very well then, I will reserve that, but I would now like to ask a question which I think is relevant. We are all interested in that breakdown of the financial position. Now, let us take one thing we were on in the Department of Transport, let us take this item of telephones, telegrams and postage; I suppose you have a dozen different items on telegrams, telephones and postage in the Department of Transport. You are in a much better position to view that than I am, but I see that it comes to a grand total of \$1,600,000. It seems to me from the point of view of getting the picture of what we are dealing with in the House it would be very much better to have that on a functional basis, but it may be having regard to the various departments concerned that that would not be particularly useful. Could we have your comment on that?—A. My understanding of your suggestion is that a vote of that kind should be shown on that basis as a matter of information?

Q. I would say the vote, or alternatively, it could be covered by a memorandum as well based on the functional distribution of items.—A. I think it would be quite possible to draw up a memorandum item on the basis you described but to do that is a general practice—as I indicated in the description I gave to the committee at one of the earlier meetings, the general practice or policy of the government has been to prepare votes on the basis of the purpose for which the expenditure is incurred rather than to base it on the type of expenditure that is involved. These tables we have been discussing are made up on the basis of the type of expenditure involved, and clearly are of real interest to members; and I would assume that if it commends itself to the committee, if the committee wants that sort of thing in the estimates, when we are preparing them we will try to keep them in categories which are suggested by or which reflect the views that have been expressed in the meetings of the committee here; we may not be able to do it exactly as has been suggested but we will try to do it as carefully as we can.

Q. Do you think it can be done? I suppose if you had the type of categories which you have used in this material you place before us that it would be desirable. Such a summary might run to some size but it would make the votes more interesting and give us a better appreciation of just what was involved in each case.

The CHAIRMAN: What you really mean is this, that you would make a further split of the general items which were submitted in this draft summary, that in preparing that summary he would also provide a general detail as to the items which it comprised and that such detail would give us a better appreciation of functional expenditures. You go one step further now and you suggest that with respect, for instance, to this item of telegrams, telephones and postage, that there should be a more detailed breakdown showing the items which go to make up that total. Is that what you have in mind?

Mr. MACDONNELL: I am raising that question, yes.

By Mr. Prudham:

Q. On page 7, clause 12 of Mr. Sellar's memorandum, I would like to ask Mr. Bryce whether there are many votes representing small amounts which Mr. Sellar suggests it would be desirable to reduce in number and group them. Why do you have so many of these things, small votes for items running around \$2,000?—A. I think there are several reasons for that. I know the same point has been raised with the Treasury Board by the departments on occasion. In the first place, certain of these small votes are for special purposes that cannot very readily be covered within the meaning of a larger vote. You will notice as you go through the detail of the estimates that there are small votes for rather

specific purposes. For example, grants to an organization such as the Boy Scouts, which appears under Finance. It is a separate vote there. It is only a small vote but would not easily fit into any of the categories mentioned. We could very readily group these small grants under one number in the estimates and in that way reduce the total number of votes. That might be a convenience when the estimates are up for consideration in the House and any one of these grants could be explained.

The CHAIRMAN: And these details would be at the back of the book?

The WITNESS: Yes, or they could be listed right there if that were felt to be more convenient. Or, let's take another case, we have for example a number of small votes in the Department of Finance for small administrative bodies, votes for their salaries and operating expenses; for instance I think of the Farmers Creditors Arrangement Act and other organizations of that kind. Votes for these small administrative bodies of the kind to which I have referred might all be grouped together.

By Mr. Prudham:

Q. Would the grouping of these small votes into one larger item tend to avoid the necessity for supplementary estimates?—A. Perhaps to a small degree, but it would do so at the expense of perhaps some of the detailed control which parliament now has over the purpose for which the money can be spent. If we were to group all of these miscellaneous administrative functions in the Department of Finance under one larger vote we would have within certain limits the authority within the organization itself, within the Department of Finance or Treasury Board to re-allocate the funds that were originally requested let us say for the administration of the Farmers Creditors Arrangement Act or the administration of the Farmers Improvement Loans Act, to some other unit in the group. Now, if parliament was concerned with us staying within strict boundary lines as between these administrative functions I would say there was nothing to be gained by the grouping of these votes together.

Mr. JOHNSTON: It would be done at the sacrifice of detailed control.

The WITNESS: There would not be the same measure of control as is now exercised by the House with respect to these administrative accounts.

The CHAIRMAN: There might be a grouping by functional classifications without in any way taking away from parliamentary control of expenditures.

The WITNESS: I would think that Treasury Board might well welcome an expression of view by this committee on expenditures on that sort of thing as felt desirable by the House, because after all it is essentially a question for parliament.

By Mr. Drew:

Q. Now, Mr. Bryce, just following through the point raised by Mr. Sinclair in which he referred to the budget system of operation taking into account revenue items. As I understand it, there are two distinct types of revenue items; on the one hand there are those which might be regarded as substantial returns on capital investment which would go into the consolidated revenue fund to be re-allocated to special allocations; on the other hand there are enormous numbers of properties owned by the government today which are producing revenue to the government which is not in any way taken into account in capital. For instance, I have in mind farms and houses owned by the government and operated on that account. Now, as I understand it today, the government probably owns things such as farms and houses right across the country; under different statutory authorities they hold property of that kind; is it not so that the accumulated total of these annual revenues of that nature should be set off

in some way against the annual requirements of each farm or house based on the total taxation levied by parliament at the presentation of the budget by the Minister of Finance; that would actually be set off, would it not?—A. Actually much of that sort of revenue producing asset held by government is held by agencies which in fact do apply their revenue to expenditures; for instance, Central Mortgage and Housing Corporation has tens of thousands of houses I suppose, revenue producing properties. They do use the rents that they receive for meeting their operating costs and for meeting costs such as interest on debentures issued by them and things of that sort. The same thing applies to a considerable extent in connection with the Farm Loan Board. So to that extent you do get that with the properties that are held by the government which are run by the crown through an agency, but where they are held by a department I doubt whether that is so. For instance, many departments own residences which are rented to their employees because they are in out-of-the-way places and I would say there that the rental goes straight into revenue and is not used to offset the expenses of that department. What you have in mind is that such revenue should be used by the department to offset this operating cost, is that what you have in mind?

Q. Just from the point of view of presenting actually a clear picture of the situation in regard to one of the departments, might it not be desirable to present in the form of a supplementary statement or in some way a statement of those crown revenues of that kind to give a true picture of what that department is costing?—A. If it were felt by parliament that it would help in considering the estimates if that could be done, we could arrange to include figures of that kind; if it would help to give a more balanced picture of the costs reasonably attributed to each item covered by the main estimates.

Q. I do not want to get away from the point which has been raised and to which my question was related, and I thought I should bring it out at this time. I have just been thinking over the discussion which has been taking place about the properties of various types which are held by the government and the question of the great advantage of sorting this out and finding out exactly what they were, and this is what has occurred to me: The government has put forward a plan under which it offers to certain municipalities payments in lieu of taxes where the total amount of property which they hold bears a certain percentage relationship to the assessed value of properties in the municipality. Now, such a proposal can have no meaning unless the government has in its possession a detailed list of properties in every community. There would be no other way of working out what the holdings of government property were in relation to assessed values of general property within a municipality. Now, is that information available for that purpose?—A. When we were making up this suggestion, sir, we had to make a very elaborate survey extending across all departments and agencies of government to try to ascertain the holdings of real property in the various municipalities with that end in mind; and, as I was saying yesterday, that record exists in the department, they have full records of all properties held; and, of course, for this particular purpose about which you speak it is necessary to have these properties evaluated on a basis comparable to the municipality in which the property is located, and they differ, naturally; so it has been necessary to assemble a great deal of information for that purpose and it is now being analysed and appraised in the light of the practice of each municipality involved, so we have got together a lot of material for that purpose.

Q. Well then, is this not the result? In view of the statements which have been made in parliament of the various proposals which have been made for payments in lieu of taxes in certain municipalities, it does necessitate the total listing of all buildings used by the department, of the real estate and

properties owned by the department within each municipality and the evaluation of those properties on a comparable basis to local property for tax purposes?—A. The departments themselves I believe were not asked to make local evaluations because in many cases it involves a personal skill that they could not be expected to have, but we did endeavour to secure from them a list of all those properties where it was considered necessary that the crown should have a list of them.

Q. Well then, for the purpose of carrying out this proposal for payments of money in lieu of taxes, would not that require a detailed list of properties as well as the value of the property?—A. Yes sir, but I would not say that those values are all comparable on a local payment basis.

By Mr. Sinclair:

Q. I wonder if you could tell me this; why is it that there should be a charge and a record kept of payments by patients treated by the Department of Veterans Affairs—that appears on page 5 of the Report of the Auditor General, item 21—when according to the next item, item 22, no charge is made for a similar service rendered by the Department of National Health and Welfare.—A. I am afraid I could not give you any explanation of that, Mr. Sinclair, as to why there is that difference in practice. It would certainly seem to me that if it is appropriate for Veterans Affairs it would also be appropriate for a similar service under Health and Welfare. One might expect to find in regard to that that in Veterans Affairs they have been doing a considerable amount of work for the other departments. I am not sure that it would be as important, quantitatively or proportionately, under Health and Welfare.

Q. The point he makes there seems to me important because he points out that the practice has an effect on revenue. However, the next item is one we shall find even more interesting, item 23, on page 8: Benefits to Sick Mariners. I think that is much more significant, because the whole intent of the legislation is to establish a service at cost, and yet with respect the revenue of those municipalities' revenue funds, while payments are made by the department, the result is this very great gap.—A. There is some virtue in incentive there, I think, in many cases; but we have to offset that against the considerations that I mentioned, the desirability of attempting to provide for expenditures on a gross basis in order to give parliament a better measure of control; however, if we showed the revenue and the detail for each vote that might help in bringing about the incentive on the part of the department to operate efficiently.

Q. In cases of this kind we intended that the service should carry itself?

The CHAIRMAN: Gentlemen, it is a quarter to one.

The committee adjourned.

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MINUTES OF PROCEEDINGS AND EVIDENCE

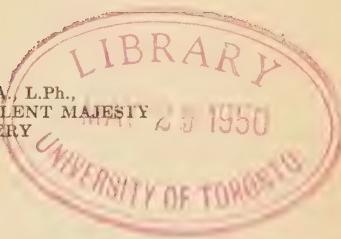
No. 12

TUESDAY, MAY 16, 1950

WITNESS:

Mr. R. B. Bryce, Assistant Deputy Minister of Finance

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



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on
PUBLIC ACCOUNTS

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MINUTES OF PROCEEDINGS

TUESDAY, May 16, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Vice-Chairman, Mr. David Croll, presiding.

Members present: Messrs. Balcer, Blue, Boisvert, Browne (*St. John's West*), Cauchon, Cavers, Croll, Drew, Fraser, Gauthier (*Portneuf*), Hansell, Helme, Johnston, Kirk (*Antigonish-Guysborough*), Macdonnell, Major, Kirk (*Digby-Yarmouth*), Prudham, Richard (*Ottawa East*), Robinson, Sinclair, Thatcher, Warren, Wright.

In attendance: Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

Mr. Bryce tabled statements showing a breakdown of Item 9 of the summary of the estimates tabled by him on May 5, which are printed as *Appendices A* and *B* to this day's minutes of proceedings and evidence.

The Committee resumed consideration of the memorandum tabled by Mr. Watson Sellar, Auditor General, on April 27, respecting the preparation of the estimates, and which is printed as *Appendix B* to that day's minutes of proceedings and evidence.

Examination of Mr. Bryce was concluded.

It was agreed that Mr. J. G. Taggart, Deputy Minister of Agriculture, be heard at the next meeting.

At 6 o'clock p.m. the Committee adjourned until Thursday, May 18, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
TUESDAY, May 16, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Vice-Chairman, Mr. D. A. Croll, presided.

THE VICE-CHAIRMAN: Gentlemen, we have a quorum lets get started. Mr. Bryce was to elaborate further on item No. 9 which appeared in the appendix and was to explain certain items in connection therewith.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance, recalled:

THE WITNESS: Yes, Mr. Chairman, I was to provide the committee with a breakdown of the detail in item No. 9; and I was asked regarding the increases in National Revenue and under Finance. Under National Revenue the increase there from 1949-50 to 1950-51 was approximately \$66,000. That increase is noted in the items of the various departments and the greatest increase is in the Taxation Division, where it amounts to about \$100,000. Perhaps you would like to have that put in the record, Mr. Chairman.

THE VICE-CHAIRMAN: Yes, that will be appendix "A" to today's report.

(See appendix "A")

By Mr. Macdonnell:

Q. May I ask a question there for information; can you enlighten us as to what branches use the frank and which use postage?—**A.** Broadly speaking, any mail sent out outside of Ottawa requires postage.

Q. Then the frank is only used in Ottawa?—**A.** Yes, the frank may only be used in sending mail from Ottawa.

Q. Any government office sending mail out from Ottawa can use the frank?—**A.** Yes, that is my understanding. The main increase there is in the total for the district offices of the Income Tax Division and I think it is due to the volume of business there.

By Mr. Fraser:

Q. You mentioned the frank being used at Ottawa.—**A.** Yes, for official mail.

Q. For official mail, would that include the Defence department sending out medals or things of that nature?—**A.** Where there is more than just the ordinary postage rates applicable, I do not believe so; but I am sorry I am not an expert on whether there would be extra postage charges for parcels and things of that sort.

Q. I mean they would be enclosed in a letter and I was wondering whether they would pay postage on that.—**A.** I am sorry I cannot tell you that. If you send mail from some outside point it would require postage.

Q. Yes; well now, in the discussion in the External Affairs Committee this morning we were told that the item of postage there included the carrying of diplomatic mail. If that was included as postage that item would appear in here, and if it were not directly used for postage the item would reduce by that amount, would it not?—**A.** It would not be postage through the Post Office, I suppose that comes in under what they would call their courier service.

Mr. RICHARD: Under this item here of telegrams, telephones and postage, would that include all the postage outside of Ottawa?

The WITNESS: It would include the postage, yes, unless there is something there for special delivery letters and things of that sort. I do not claim to be an expert on postal regulations.

Mr. HANSELL: Is there any particular reason why family allowance cheques are not franked?

The WITNESS: Yes, because they are all sent out from offices outside of Ottawa. Family allowance cheques are mailed from the various district offices, usually the capital city of the province. The operation is decentralized for that service.

The VICE-CHAIRMAN: Now, Mr. Bryce, was there another item?

The WITNESS: Yes sir, the other item was an explanation for the substantial increase in these categories in the Department of Finance, and again I have had a table made up which may be put into the record—perhaps the committee would like to have just a brief explanation as to how this increase occurred. In this case, sir, I must apologize to the committee. There was an item in 1949-50 that should have been in this category and was classed in the all other expenses category No. 30, and that is the main thing that accounts for the increase. It is clearly an item which should have been included here but it was simply overlooked.

Mr. MACDONNELL: What was the amount?

The WITNESS: \$415,000 for telephone services for all the departments at Ottawa; and there was an increase of \$100,000 in postage on family allowance and income tax refund cheques.

The VICE-CHAIRMAN: That statement will appear as appendix "B" in today's record, with the consent of the committee.

Some Hon. MEMBERS: Agreed.

(See appendix "B")

Mr. MACDONNELL: Mr. Chairman, is this a proper time to ask what check is kept on their long distance telephone calls, or should that be asked of some other departmental head? I mean this, quite frankly, I think we have all been impressed from time to time with the lighthearted way in which government servants use telephones where many times a letter would do perfectly well. Presumably there would be checks, how is that done?

The WITNESS: That is a control which is administered within the departments. From an administrative standpoint it is almost impossible to spell out detailed regulations for the use of long distance telephone calls, although one could appreciate that many times just as good service could be obtained through the use of telegram, the teletype or the writing of a letter. The departments have been asked to make use of the government teletype service, particularly that of the Department of National Defence wherever they can, in order to cut down telephone and telegraph charges, but we have to leave it to the judgment of the government departments as to whether telephone calls in particular circumstances are justified.

Mr. MACDONNELL: One thing that bothers me is this; items of that kind can run into huge amounts and we find that a great many of these charges are based largely on telephone services. I think we heard something the other day about what seems to be the unreasonable way in which civil servants come to look upon the use of the long distance telephones for calls, and I think personally that is one place where we are spending unnecessarily. They would not make so many long distance calls if they had to pay for them. I think we all recognize that limitation. But the point I want to make is this, Mr. Chairman, that I think we should have a little enlightenment and that we should have a look at the actual long distance telephone bills in the various departments to see just

what they amount to. I do not want to ask for the production of any details which are not reasonable, Mr. Chairman, but I submit that that is one thing we ought to have a look at, to see what extent, if any, the use of long distance telephones is being abused in the public service.

The VICE-CHAIRMAN: Perhaps, Mr. Macdonnell, when we have the government officers here before us we could ask them about that. We are now on this memorandum of April 26 submitted by Mr. Sellar on the estimates. Are there any more questions about any point arising out of that?

Mr. THATCHER: I wanted to ask a question on point No. 9; would it be proper to do that at this time?

The VICE-CHAIRMAN: Go ahead.

By Mr. Thatcher:

Q. Mr. Sellar made the statement there (this is on page 5, item 9) where he says, "Ministers can and do control decisions of policy, but application is delegated and it is the dead-weight of administrative cost that is of concern when estimates are under review. For example, in the present estimates, provision for salaries and wages of public employees exceeds \$300,000,000. It will be the salaried expert, not the minister, who will be in indirect contact with the committee, therefore the form or text of items should be such that the expert is not in position to barter." The point I would like to make is this, that I think that is a quite important statement, and the point I would like to ask Mr. Bryce is what steps are taken by the Civil Service if certain employees are found to be superfluous or inefficient; or, how does the civil servant get dismissed for such reasons; have you a procedure?—A. Yes, sir.

Q. What is it?—A. In regard to the formal situation, civil servants of course are employed during pleasure, as the phrase is in the law, and there is no obligation to retain them beyond such time as His Majesty decides to retain them and has some use for them. Normally when a function is reducing or terminated, an effort is made or has been in recent years, when there are expansions in various other portions of the Civil Service, to place those who become surplus in one place into another place wherever that sort of staff is required. The Civil Service Commission has power that normally enables them to do that, that is to remove staff from where they become unnecessary to where they are useful.

Q. Suppose now, Mr. Bryce, that some department decides this man is not needed, supposing he is not needed for the work of the department which has gone down a little; what would the procedure be for the departmental head to get rid of that employee, could he release him?—A. In the case of a temporary civil servant the department can simply release them, tell them their employment is finished at such and such a date and they are released.

Q. The departmental manager can do that?—A. Yes, the responsible officer of the department can do that.

The VICE-CHAIRMAN: That is temporary.

The WITNESS: In the case of a temporary civil servant, and in most of these situations where you have reducing staffs it applies to the temporary staff, as they are called in the Civil Service Act. That is the ordinary way in which it is done. If they are permanent civil servants, as they are called under the Civil Service Act and the Superannuation Act and similar statutes, normally they can only be dismissed by order in council, and there are orders in council dismissing or releasing certain persons or retiring them from the Civil Service from time to time. It is not unheard of by any means, that they are retired,

dismissed or released in other manners, and there is no legal obstacle and there is no procedural obstacle to reducing staff when they are no longer required.

Q. Mr. Sellar used the word "dead-weight". I don't know whether that signifies anything or not. I am just wondering. There are many individuals who are temporary civil servants and their work is discontinued and they are let out. I think you said the other day that a good many of them are shifted, and yet we find that right today the Civil Service is several times greater than it was before the war. I was just wondering whether that huge wartime Civil Service which was built up is really being cut down quite to the extent that we are told is being done.—A. We are endeavouring to attempt to eliminate those who are not required or to use them on some more efficient operations, but the total numbers I believe are less than they were at the peak which occurred just a little after the end of the war, within some months after the end of the war. They went down for a time and then came up again, coming up again as certain operations expanded. The Bureau of Statistics puts out each year figures on the number of civil servants which reflects the major trend, and one has to make allowances, although it is difficult to decide just exactly what boundary lines to use; do you include casual construction workers, for example. The Bureau of Statistics figures will show the trend and I would think they would be a valuable aid to the committee.

Q. Would the Civil Service staff be at an all time peak just at the moment?—A. I don't believe it is, I believe the big peak was reached shortly after the end of the war and then it went down and it has since come up again.

Q. Which is one and the same thing. Do you know in the past year, in the accounts that we are studying, numerous specific instances where civil servants have become superfluous or inefficient and who have been dismissed, do you know of cases of that kind?—A. I know there have been cases but I cannot tell you from memory, but there have been cases.

Q. But very few, I suppose.—A. Oh, there would be a great many temporary civil servants who would be released.

Q. I am asking about the permanents.—A. Permanent civil servants, there are not very many dismissed—

Q. That is my point.—A. —for cause, but there were a number retired for age or one cause or another.

Q. I am not worried about that, I just wondered when they became superfluous or inefficient, if there were many times in the past year when that had happened.—A. Not a great many, no. It is not common.

Q. Well then, suppose the department decides that for certain activities they need extra staff, what is the procedure? I know they go to the Civil Service Commission. Can the departmental head say; now, I need another man and just put in his application—what is the check there?—A. The department first has to tell the Civil Service Commission that they need an additional position of a particular class perhaps, and the Civil Service Commission's appropriate investigator, from their organization and classification branch, investigates the requirements. He will then take the matter up with the appropriate departmental officers and if he is satisfied and the Civil Service Commissioners are satisfied they will recommend to the Treasury Board the establishment of an additional position or positions for those purposes. The Board will then look at it, not in as much detail, but in the light of the reports received from the Commission and from the department and decide whether they are prepared to approve the recommendation made jointly by the department and the Civil Service Commission and if so the Treasury Board will then authorize the establishment of a temporary position, or positions for that

purpose. The normal procedure is first to establish a temporary position and then at some future date when it becomes clear that the job is a continuing one, if the person in question is eligible for permanent appointment, then he will be made permanent at that future time.

Q. Is there a general order or directive at the moment in the Treasury Board or Department of Finance suggesting that the Civil Service should be kept static if possible or reduced; is any attempt being made to get it down more in line with present needs?—A. There is, sir. The Treasury Board does not issue a sort of ceiling figure for the whole of the Civil Service because it is impossible to take into account so many of the various circumstances in different departments. The Board first considers this where they scrutinize the estimates. We check very carefully all staff requirements to see what is involved. Also in recent years we have been attempting to reduce salary costs by introducing more efficient methods of getting work done, which is really one of the most constructive ways of securing economy. For that purpose, as you may have noticed in recent years, provision has been made in the estimates of the Civil Service for staff on what we call organization and methods work. They are a sort of consulting unit which can be called in by the departments to assist them in re-organizing methods and in re-organizing various sections of the departments. The Treasury Board has encouraged the various units of government to make use of this sort of service and to carry out reviews of their operations in order to achieve greater efficiency. Quite a number of the departments have made use of that service and that has resulted in securing increased efficiency.

Q. There is one other point I would like to touch on, I think it is a fair one: has the Treasury Board given consideration to the appointment of a commission such as the Hoover Commission in the United States to make an investigation into every department to ascertain where savings could be made? Is that a fair question?

The VICE-CHAIRMAN: Of course it is not a fair question. There is hardly a fair question put to this witness. It would be a fair question to put to the Prime Minister. You see there is a matter of policy involved.

Mr. THATCHER: Is that a matter of policy?

The VICE-CHAIRMAN: Of course it is a matter of government policy. It is not a matter for a departmental official to answer?

Mr. RICHARD: I would like to say this, that the question put by Mr. Thatcher is a very important one because it relates to the administration of the Civil Service. I think the answer to Mr. Thatcher's question should be this, that there is not much danger of putting a permanent employee out, except for cause.

The VICE-CHAIRMAN: Should I swear you before you give evidence?

Mr. RICHARD: Yes. I do not think that Mr. Bryce is any more competent a witness on that subject than I am.

The VICE-CHAIRMAN: No.

Mr. RICHARD: I think we should send that matter to another committee.

Mr. SINCLAIR: The point Mr. Thatcher raised has to do with the difference between the dismissal of a permanent civil servant and a temporary civil servant. I understood the witness to say that there were considerably more temporary employees in the departments than there are permanent employees, and that most of the reductions of the staff have been made through the transfer or release of temporary employees.

Mr. RICHARD: But Mr. Thatcher's question related to dismissals because of staff being superfluous or inefficient.

Mr. SINCLAIR: And one of the reasons for that statement I take it is because of the strict proportion maintained between the number of permanent and temporary civil servants employed; and I understand that the reason there are so many temporary employees—at least one of the reasons—is that they have to serve a certain probationary period before they can be made permanent. Is that not so?

The WITNESS: Yes, the department has to be satisfied that the employee is going to be an efficient employee before he is recommended for permanent appointment.

Mr. SINCLAIR: And there is a further point there as far as permanent employees are concerned, that if positions in the department become superfluous obviously the positions that become superfluous are not the permanent positions but rather those held by temporaries and they are the ones to be let go; isn't that a fair statement?

The WITNESS: Yes, that is the usual practice, the temporary staff is expected to be the fluctuating staff.

Mr. MACDONNELL: Mr. Chairman, I think we ought to be very thankful for the evidence that Mr. Sinclair has given.

The VICE-CHAIRMAN: No, he asked a question.

By Mr. Fraser:

Q. Mr. Thatcher asked if any investigation had been made in the departments along certain lines and I would refer to page 119 of the estimates where you see there a director of Government Economies Control, and I see there is a Director of the Economic Policy Division; now, there seems to be within the Department of Finance a set-up to try to bring in economies in the different departments, or is that confined just to Finance?—A. Well sir, the Director of Government Economies Control is an officer who occupies an office which was established during the war when special measures were taken to introduce special wartime economies in the use of stationery and office supplies, as you may recall, of one sort or another. His operations there were considered to be serving a useful purpose in securing special controls in that field, largely confined to printing, stationery and office supplies. That office was continued after the war and finally the officer in question was transferred to the Department of Finance in the Treasury Board division to carry on his work. At that time he scrutinized the requests made by the departments for purposes in that particular field and his function was to examine those requisitions in an endeavour to see that the type of supplies required conformed to the most economical purchasing plan available; and, secondly, to see that there is a good argument for each of the requisitions. That related principally to requisitions on the King's Printer, and his duty was to scrutinize them and to see that there was a good argument for the various amounts that were requested.

Q. Was that just in the Department of Finance or all departments?—A. He covered requisitions for all departments.

Q. And he has quite a staff I assume?—A. Just himself and one or two assistants.

Q. We have been talking about permanent and temporary employees, what is meant by casual and others?—A. Casual employees are normally employed only for a few months. Originally under the Civil Service Act I think that was passed in 1918 or 1919 temporary employees were people who were hired for a few months but over the course of the years temporary employees came to be employed for a fairly long temporary period one normally extending beyond a few months and that is why we have now this class of casuals.

Q. There seem to be four groups because you have "casuals and others."—
A. Certain seasonal workers, for example, men who are hired for survey parties during the summertime—where they are hired for specific short periods of time.

Q. In External Affairs, they would not be casual there?—A. No, they might be casual employees. I do not know if that is abroad or home.

The VICE-CHAIRMAN: Especially in Czechoslovakia, and so on; they might be said to be casual because they don't know when they will get thrown out.

Mr. JOHNSTON: Regarding temporary civil servants, I think Mr. Sinclair said a while ago that a temporary employee was just kept on to ascertain his suitability or efficiency looking toward his permanent appointment, and a good many employees are regarded as temporary although their employment may extend from one year to ten. Well, Mr. Chairman, if they are kept on there for ten years—I understand some have been in a temporary capacity for as much as twenty years—that certainly is not for the purposes of ascertaining their efficiency. And I understand that there are some departments where it is almost impossible to get rid of a permanent employee.

The VICE-CHAIRMAN: Do you not mean temporary?

Mr. JOHNSTON: No, I mean permanent, and they have temporaries who have been on there as much as ten years or more and yet there is no question of their efficiency, it is not a case of probation to ascertain their efficiency; it is just impossible to get them placed; the only way they can be placed is when somebody retires or somebody dies.

Mr. SINCLAIR: Mr. Chairman, on a point of order; I did not suggest that the temporary employee was appointed solely for purposes of probation.

Mr. JOHNSTON: Well, Mr. Chairman, I thought that was what he said, that they were regarded as temporary until their efficiency had been demonstrated.

The WITNESS: We were talking about temporary employees, there have been temporary employees who have been temporary for a good many years. A great many of them have been made permanent in recent years. We also have in the government service now a great many employees who were taken on during the war years in expectation that they would not be employed for long afterward and they are still employed and still temporary in many cases.

Mr. THATCHER: Is it not true that it is almost impossible to get rid of a permanent employee no matter how inefficient he may be?

The WITNESS: I would say not. I think it is only the same sort of problem that you encounter in private business, that when an employee has been on your staff for many years you are reluctant to discharge him unless you have good cause for doing so.

Mr. JOHNSTON: The word "reluctant" may cover a lot.

The WITNESS: I think it is largely a human problem but in no sense a legal problem or one peculiar to government organizations as distinguished from other organizations.

Mr. MACDONNELL: I want to ask a question which I think is purely a question of fact. Mr. Thatcher raised a series of questions about the way efficiency in the Civil Service could be improved.

The VICE-CHAIRMAN: All right, Mr. Macdonnell, go ahead.

By Mr. Macdonnell:

Q. Mr. Bryce, you are familiar with the fact that the Mainguy report made certain criticisms; do you happen to know whether those criticisms led to any shake-up in the government or the naval department?—A. I am sorry, sir, I do not know that.

Q. Then, secondly, reference was made to getting in an efficiency expert to look things over, such as the ones who were brought in in the case of the Film Board.—A. Yes, sir.

Q. You know, as a matter of fact, of the results of their reports?—A. I have had a detailed discussion with Mr. Irwin, the commissioner, with regard to the changes that are being made as a consequence of that report both in regard to accounts and in regard to staff.

Q. Has that report been published?—A. Yes sir, it was tabled in the House.

Q. So would you say that the result of that report has brought about or will bring about changes in the Film Board—perhaps the question which I had in mind to ask is really a matter of policy and should be reserved.

By Mr. Richard:

Q. Is it not a fact, Mr. Bryce, that permanent civil servants are protected by the Civil Service Act and cannot be dismissed except for inefficiency, ill health, abolition of the position or misconduct?—A. I believe the legal position is that they can be dismissed at His Majesty's pleasure.

Q. I beg to disagree with you on that; that is in the Civil Service Act, that permanent employees can only be dismissed for cause. Now, another point is this: is it not also a fact that the reason we have so many employees whom we cannot dismiss is because of the fact that 30 to 40 per cent of the employees in every department only are temporary?—A. It is not as high as that in all cases.

Q. But there is a quota, isn't there?—A. There are normally quotas of permanent and temporary employees established by the Treasury Board so that there will normally be a margin of temporary employees serving as a fluctuating staff. That is one of the main purposes of having quotas, proportions or numbers of permanent and temporary employees.

Q. Isn't it also a fact that there is an order in council which prevents temporary employees, even if they have been temporary for ten years, from becoming permanent because they have no overseas standing?—A. I think it is rather this, that the overseas preference under the Civil Service Act gives them a preference on the eligible list from which permanent appointments are made.

Q. Is it not a fact that you cannot make a person permanent until that order in council is rescinded? It is not a question of practice.—A. No sir, the order in council to which you refer—I do not believe it is strictly speaking an order in council, I think it is the policy of the government or the Treasury Board, and the Civil Service Commission—it is really intended to provide for the appointment of a temporary to a permanent position where no one with the veteran qualification is available on the eligible list; in other words they are not eligible for appointment unless they have competed against veterans and they are on the eligible list and their name is reached for appointment from that eligible list.

Q. Do you know of any cases where temporary employees without overseas service qualifications have been made permanent?—A. Yes, a great many of them who come under the general policy I mentioned can be and have been made permanent, as long as they have qualified for permanent appointment by competition in which veterans have been able to compete.

Mr. MACDONNELL: I do not imagine, Mr. Chairman, it would be proper to ask Mr. Bryce to deal with the report on the Film Board, but I do suggest that it would be a proper matter for the steering committee to consider, and whether we should not have Mr. Irwin come before this committee and let us see what actually has happened there.

The VICE-CHAIRMAN: I will see that the steering committee deals with that matter.

By Mr. Thatcher:

Q. I would like to pursue for a moment the line of questioning begun by Mr. Richard. I am not yet clear as to the exact procedure that goes into effect to dismiss a permanent employee. Is it the Civil Service Commission who takes the matter in hand; or, just how is it done?—A. It would be the deputy head of the department or the officer authorized by him to deal with the matter, and a recommendation would be made to the Governor in Council which would normally go through the Treasury Board and would be acted on by the Board.

Q. You say it normally would go through the Treasury Board?—A. Yes.

Q. Would it be too much trouble—if it is I would not ask it—to give us a list of the number of employees in the past year who have been dismissed for inefficiency or similar cause, and also indicate of those the number who were permanent and the number who were temporary.—A. I think I could give you the number of permanent employees. It might be a little more difficult to get it in complete detail with regard to the temporary employees because there are a great many taken on for temporary work and it is sometimes hard to say just when that temporary work is finished.

Mr. GAUTHIER: You want just the number?

Mr. THATCHER: Yes. I am still concerned with what Mr. Richard said because it does not just seem to gibe with what you have told us and I would like to know which is right. I think you said that a permanent civil servant who is not needed or who is inefficient can be dismissed while Mr. Richard says that he cannot be dismissed. Which is right? Can he or can't he, that is the question.

The VICE-CHAIRMAN: Mr. Thatcher, did not Mr. Bryce give it as his opinion—

Mr. THATCHER: —that he could be.

The VICE-CHAIRMAN: He said he is there at the pleasure of His Majesty. Those were his words.

Mr. RICHARD: Then, Mr. Chairman, I would refer you to the Civil Service Act. I was quoting from the Civil Service Act which gives the reasons for which a permanent employee may be dismissed—inefficiency, misconduct, ill health, or the abolition of the job.

The VICE-CHAIRMAN: Well now, let us go back to this memorandum. We seem to be getting away from the original question. Are there any more questions which any member would like to ask with regard to section 9?

By Mr. Wright:

Q. I understood Mr. Bryce to say that temporary assistants were all hired through the Civil Service Commission, that they cannot be hired without an application through the Civil Service Commission?—A. It is not all through the Civil Service Commission, sir; there are certain statutes that permit employees being appointed by the minister concerned or by the Governor in Council; for example, the Film Board employees who were mentioned here a while ago, the Film Board appoints most of its employees without going to the Civil Service Commission because it is permitted by statute to do so, and the same is true of quite a number of government agencies. This also applies to appointments made at prevailing rates, that is where people work for wages. Otherwise, the normal procedure is to have the appointment made by the Civil Service Commission. There are quite a number of agencies of that kind, for instance there

is the staff of the Prairie Farm Rehabilitation Administration and the Prairie Farm Assistance Act, and other agencies of that kind which, under the statutes relating to them, can hire their staff otherwise than through the Civil Service Commission.

Q. Does that apply to departments such as the Department of Agriculture for temporary assistants here in Ottawa such as in the Publications Branch or the Information Service or in other branches of the Department of Agriculture; or, are all the temporary assistants in that department hired through the Civil Service Commission?—A. In the great majority of cases, sir; there are one or two situations I believe in respect to appointments where authority is given to hire, to pay salaries for persons hired outside of the Civil Service Act; for instance there are those mentioned in the estimates at vote 29 where you will see a small vote that permits that; but with those minor exceptions and things such as the Prairie Farm Rehabilitation Act and the Prairie Farm Assistance Act, and employees of special agencies of that kind, the rest are all under the Civil Service Commission.

Q. And those under the Prairie Farm Assistance Act and the Prairie Farm Rehabilitation Act, those employees are not hired through the Civil Service Commission?—A. I believe the statute related gives them the authority to make their own appointments.

Q. Well then how would you get the difference between temporary, casual and others, where is the line drawn, what is the dividing line?—A. Basically it is in the estimates we set that dividing line. Temporary assistants are those whom we speak of as being kept on but whose employment is not of continuing indeterminate duration while the casuals and others are the ones we expect to be hired for a portion of the year for short term requirements.

Q. Is there any particular reason why employees under the Prairie Farm Rehabilitation Act and the Prairie Farm Assistance Act should not be secured through the Civil Service Commission?—A. Well, sir, I think that is a question which should be directed to representatives of the Department of Agriculture rather than to me.

Mr. MACDONNELL: I would like to say that I think it was three years ago I tried to get that information from the Bureau of Statistics and with all their great ability they were not able to give me the figures regarding the number of employees in the government services; in fact they really could not do it because there were so many categories. I wanted to get it for my budget speech and it was most extraordinarily difficult. I did raise the question as to why there were such a number of categories with all the different qualifications and different methods of appointment—it is almost as bad as a jigsaw puzzle and it stumped even an efficient body like the Dominion Bureau of Statistics.

The VICE-CHAIRMAN: I sent over a question to the Bureau about two weeks ago and I got the answer to my question in about two days.

By Mr. Browne:

Q. Could we have an answer to that question for the record—the number of permanent and temporary and casual employees for let us say the year 1949-1950?—A. Would you like to have that as of some particular date?

Q. Is it made as of dates?—A. Yes.

Q. Well, then, let us say the first of April.—A. Or the 31st of March, normal statistics are supplied for that date.

Q. That will be all right.

By Mr. Helme:

Q. I understand that the departments are only allowed so many permanent employees, is that right?—A. Yes sir, normally there is a relationship

between the number of permanent and the number of temporary employees and in authorizing or creating permanent positions we try to keep within the proportions set.

Q. What gives a person the right to permanent appointment? I know of a particular case which has been giving me some concern. It was the case of a chap who was appointed temporarily in 1933 and continued temporary until 1940 when he joined the army. When he came back he qualified with very high marks for permanent appointment but he is still temporary, and I am told that until someone retires or leaves he will still be in a temporary position. I would think it would be reasonable to assume that a person who is qualified and has been in the department for seventeen years would by this time be eligible for appointment to some permanent position.

The VICE-CHAIRMAN: Apparently it is a very flexible rule.

Mr. HELME: I think we should know just what they mean by temporary appointment and permanent appointment.

Mr. BROWNE: But he has a pension, is that right?

Mr. HELME: Yes, he has a pension and he is eligible for retirement leave but he has no superannuation rights.

The WITNESS: Well, sir, in general the superannuation plan is restricted to permanent civil servants and is not open to temporary civil servants. There is a provision in it which covers certain employees who are not civil servants in the ordinary sense, who are appointed for a term of years in a government agency.

The VICE-CHAIRMAN: Gentlemen, we are now on section 9, are there any other questions with respect to this memorandum?

Mr. THATCHER: Yes, Mr. Chairman, on paragraph 9 I would like to ask if there are any investigations being made with respect to other departments similar to the one which was made into Film Board.

The WITNESS: There are a good many investigations being made by the unit to which I referred in the Civil Service Commission, and within departments they do conduct investigations themselves.

Mr. MACDONNELL: What departments are being investigated?

The WITNESS: I should not like to say in what units; for one thing I do not know in what units they are carrying on that work at present. In respect to our own department I think I may reasonably say that we have made use of this group in the Civil Service Commission to assist us in cutting down the cost of operations in the superannuation branch where we felt the operation could be made more efficient if we went into a detailed study with them and endeavoured to plan the use of modern methods and machinery, including calculation techniques and bookkeeping machines and things of that sort. That work has been in progress for some time and I think you will find some of the results reflected in the estimates; similarly we are using our own departmental officers to investigate the efficiency of the operations in our cheque adjustment branch in an endeavour to get greater economy.

Mr. THATCHER: Where you find that you can release staff as a result of investigations of that kind what you do with them, do you put them in some other department?

The WITNESS: We have had to cut down our staff. The superannuation branch has just released some of its employees.

By Mr. Fraser:

Q. Might I ask one other question? Then, as far as you know, there is no outside business firm which has come into any department other than the Film Board to make a study of operations?—A. That has come in at any time in the past?

Q. Within the last year.—A. Well, sir, I am not so sure how far I should go there to say either yes or no. First of all I would be speaking from memory, and secondly I learn many things in my position that are the responsibility of other departments and for that reason I rather hesitate to say anything.

Q. I appreciate that.

Mr. RICHARD: I think many of the questions we are putting to the witness are questions that it would be very nice to have the answers to, but I suggest that they are questions which should be directed to other officials.

The VICE-CHAIRMAN: Let us get back on the road again.

Mr. MACDONNELL: I think it would be very proper to get that very answer from somebody, as to whether in any other department anything similar to that is being done.

The VICE-CHAIRMAN: Gentlemen, when we get down to the estimates we will have before us any officials this committee decide they want to hear and they will be available to answer for their department. Now, let us get on to this memorandum.

Mr. MACDONNELL: Just before we leave this memorandum, Mr. Chairman, you will recall that we were to get a statement from Mr. Bryce as to the capital assets not shown as such, not in the government records at the moment—is that the proper way to put it? You remember.

The WITNESS: Yes sir, and I have written to all of those departments whom we thought would have any such assets and they are now making up a list, and I should say that it will take some time to get that information assembled. We will get that for you as quickly as possible.

The VICE-CHAIRMAN: And there is another matter which has been outstanding, that is the question asked by Mr. Diefenbaker. That information will be available within a week and we will table it then. It will be much too large to put in the record but it will be available to members through the office of the clerk. That is the information with respect to travelling expenses.

By Mr. Johnston:

Q. Let us refer to No. 10 on page 5. However, the part that I want to refer to is on page 6. Mr. Sellar was referring to items 531 "Treatment Services, \$34,389,177; and item 532 Prosthetic Services, \$983,450". And in the next paragraph he said: "Is the intent that, if and when vote 532 is spent no further patients may be accepted, or may they become a charge to vote 531?"—My question is: Is there any way in which the department can use the money in vote 531 for the purposes of vote 532?—A. No, sir. The description of these votes, as I said the other day, are really conventional to describe in a general way the purpose for which they exist. But in actual administration it is understood to what they apply, and vote 532 applies really to the manufacture of prosthetic appliances and certain related articles, while vote 531 is a large vote to look after the whole hospitalization and treatment services in general.

Q. I understood Mr. Sellar to say that there is a transfer between votes similar to that, where they can deduct money from one vote and use it in connection with another, without getting a direction from the Treasury Board?—A. I do not believe, sir, there are any, except the few votes which I mentioned on an earlier occasion where specific provision is made in the vote to use them to supplement other votes, or for unforeseen purposes.

Q. But I think the inference which Mr. Sellar has drawn is that that practice is followed.

The VICE-CHAIRMAN: Well, Mr. Johnston, the witness denies it. His answer is "no". This witness says "no". Can he say any more than that? There is a difference of opinion between what the witness says and what Mr. Sellar said, so that is that.

By Mr. Johnston:

Q. Maybe I misunderstood Mr. Sellar, but I thought it was quite clear at the time because I asked him to repeat it. But if the witness says definitely that that cannot be done, then, when Mr. Sellar comes back, we shall have to question him again on the matter.—A. Our understanding is that there are certain employees whose salaries are charged to this vote for prosthetic services, and there are certain types of materials, supplies and equipment purchased for this particular service as required in that service, and they must be paid for out of the vote for that service rather than out of the vote for the treatment services. In some unusual cases it is hard to say whether they are for treatment services or for prosthetic services; so the question is: how clear a line can be drawn? And the comptroller of the treasury might be able to testify more accurately to that than anyone else.

By Mr. Browne:

Q. Does the witness know where these services are located?—A. I could not say. I believe most of these prosthetic services would not be in hospitals. I believe nearly all of the treatment services would however be in hospitals or regional offices. But someone from Veterans Affairs would have to testify as to that.

The VICE-CHAIRMAN: We are still on this memorandum.

Mr. WRIGHT: Mr. Chairman, with respect to the gifts made by certain departments—

The VICE-CHAIRMAN: Mr. Taggart will be here as our next witness and he will deal with that matter. You brought it up last time. Mr. Taggart is by far the best man to deal with it. He will be our next witness after this witness finishes. It may not be today, but next day.

Mr. WRIGHT: I think we should have Mr. Bryce's opinion as to whether these gifts contravene parliamentary authority.

The VICE-CHAIRMAN: Mr. Bryce is in no position to give us that opinion. He is here to give us facts, as far as possible. That question will go before the appropriate minister. It has already been dealt with once, and dealt within a very leisurely fashion.

By Mr. Wright:

Q. Has the Treasury been consulted in the making of these gifts?—
A: Which gifts?

Q. The gifts referred to in one of Mr. Sellar's briefs. I think it was mentioned in the Public Accounts Committee Report Volume, in the brief presented to the committee on Thursday, April 27.—A. Yes, sir. These are gifts of surplus supplies. The Department of Finance, or the Treasury Board would normally be consulted in respect to a large transaction of that kind either through it coming before the Treasury Board or before the Cabinet, when the Minister of Finance would be asked for his views on it. And in the normal course of events, he would have consulted with his departmental officers.

Q. Would it apply to small amounts, or only to larger amounts?—A. That is a question of what would go to the cabinet and what would not. I would

have to be prepared to answer that question because I am not sure of the rule. But anything over a few thousand dollars would.

The VICE-CHAIRMAN: Are there any further questions on this memorandum of the 26th? If not—

Mr. BROWNE: Has the witness given his opinions on the methods suggested by the auditor-general for drafting the estimates in the future?

The VICE-CHAIRMAN: The witness has given evidence on that point on two occasions. It is in the minutes. I was here when he was questioned on that point. Is there anything further, gentlemen, with respect to this witness? This brings us,—with the exception of the memorandum which Mr. Maedonnell has asked for, and which will take a few days or some time to prepare, and the other memorandum to which reference was made—this brings us to the point where we are finished with the witness who is now before us.

By Mr. Johnston:

Q. Over on page 7 Mr. Sellar gave a summary of a vote which he thought would be much more advantageous than giving the information and so on in the different groupings of this item. Do you think that would be a worth while change in the estimates?—A. Well, sir, on that point in regard to the wording in the vote, as I believe I said the other day, it would be possible to make the actual wording of the vote more precise, if parliament wishes to have it more precise. The wordings have been rather conventional in the past. However, in the suggestion about the explanation of the vote, he goes on to speak about the explanatory texts in the details; and there, as I think I mentioned at one of the earlier meetings of the committee on this matter, the view of the government has been—and I believe it has been the general view in parliament in Canada for many years, that the minister responsible should make any explanations whether in writing or orally that are required in respect to any vote.

Q. You mean in the House?—A. Yes, sir. In some cases I believe they give certain material in writing; and in some cases—in most cases, orally. But I know it has been the view of the Minister of Finance, and it has been the practice for many years that the explanation of votes, which shade over into justification and which shade over into policy, should come from the minister concerned and should not be printed in the general documents submitted by the Minister of Finance on behalf of the government as a whole.

Q. I take it that you feel the way the estimates are compiled now is better than the suggestion which Mr. Sellar has given us?—A. In regard to the wording of the vote itself, we have taken the view that the wording was very largely just conventional description rather than precise legal description. But if you wish to have a more precise definition, that can be done if parliament so desires. With regard to an explanation, it is really a question whether anything other than bare figures is more appropriately supplied by the minister responsible who must discuss it in the House.

Q. If we want it that way, we can have it. But that was not my question. My question was: Which do you think in your judgment is the better form?—A. On the wording of the vote itself, sir?

Q. Yes, regrouping these items, for example?—A. On that I think we can consolidate some of the small votes.

Q. To advantage?—A. To advantage. But I feel a grouping of some of the other votes which Mr. Sellar suggests reduces quite substantially the basic control which parliament itself exercises over the purpose for which the expenditure is incurred.

By the Vice-Chairman:

Q. Are you not saying in effect: that the more votes which are consolidated, the less information is available to parliament? Is it saying that the more votes we consolidate, the less opportunity there will be for parliament to gain information from the minister on the floor?—A. That is an additional point. The one I was making is: that the more you consolidate the less the decisions parliament takes as to the direction of the expenditure.

Q. I see.

Mr. THATCHER: It is hard to figure these estimates out; and if they were consolidated in this way, we could hardly find anything at all.

Mr. MACDONNELL: It seems to be that we should get to the end of it. I was referring to the functional presentations which we have got here, and I mentioned particularly the Department of Transport where you get, perhaps, a dozen items under Telegraph and Telephones, totalling altogether something over \$1 million. And I asked Mr. Bryce whether he thought the whole question could be better understood if we had the whole picture before us. I do not believe we reached a conclusion. I would like to ask this question: suppose you had those ten items, in one, the whole item of telegraphs and telephones, would you necessarily have less control because you had one item instead of ten? My own feeling is that if you do that, you could consider it and you would have a more intelligent approach to the thing and you would have not less control but more control.

The VICE-CHAIRMAN: Let us have the question.

The WITNESS: I think as far as the Treasury or the government through the Treasury Board having control over the department is concerned, they could have it in either case. But if you have more items, for instance—you mentioned the telegraph service and things of that sort—and if there are less votes and the votes are consolidated, it seems to me that the government would be allowed more latitude to direct expenditure within that vote for the various purposes covered by it than if there were half a dozen votes.

By Mr. Macdonnell:

Q. Suppose you have those details as you have them now; my understanding of Mr. Sellar's criticism was that we could still have plenty of details. But suppose you still have those bits and pieces as they are now amounting to an over-all figure to show what your whole communication within the Department of Transport is costing, together with some break-down of it, as you say, on a functional basis; I understand that hundreds of thousands of dollars of that figure as shown in the Department of Transport relate to air fields and so on?—A. Oh, perhaps I misunderstood you. Certainly as far as providing more information by cross-classification goes, I think we could assist parliament by giving it a cross-classification of types of expenditures, and in that sense it would improve parliamentary control. But I was thinking more of the legal control which parliament exercises through the vote under which the amount of the expenditure for a particular purpose is voted and is restricted to the amount provided. And my point was that the more votes which are consolidated as distinct from the details, the more votes are consolidated, the less parliament decides with respect to the direction of expenditures.

Q. When you speak about votes being consolidated, why is there a great difference in the explanation of details in one department as contrasted to all others? Take the Department of National Defence on page 168, for example. In one short paragraph it covers the whole question whereas on page 119 it takes a whole page to do so. Compare page 119 with 168, for example?—A. I think it is true that, first of all, in the case of the National Defence Department the general categories are fewer than in any other case because,

as I explained earlier, we decided shortly after the war that the items would be grouped. As I indicated at the last meeting, after a discussion with the officers concerned and the minister of National Defence we feel that it will be possible to show defence items next year in a similar sort of break-down to that of other departments. My second main point is that the details of civil salaries and wages are not given in items of defence as they are in most of the departments?

Q. All the other departments?—A. Yes. I do not know how much weight parliament attaches to getting all the details of the number of positions and the various salary rates. That was traditionally something which the House of Commons was interested in. But certainly we could eliminate a good deal of the bulk of the volume and devote it to other purposes if we cut down on details relating to salaries.

Mr. WARREN: I see that Mr. Johnston is sitting beside Mr. Bryce. I wonder if he knows how to build a \$475 house?

Mr. JOHNSTON: But not the one you have in mind.

Mr. WARREN: You can come along and see it any time.

The VICE-CHAIRMAN: All right, Mr. Drew, if you please?

By Mr. Drew:

Q. Now, Mr. Bryce, it seems to me that this is something about which we should be as clear as possible because I am under the impression that what we have just been discussing is the main point of Mr. Sellar's argument as to the manner of presenting accounts in a way which would make it possible for the members really to recapture some authority over the estimates. As I read this—and you may correct me when I am finished if I am wrong—

The VICE-CHAIRMAN: What is the page?

Mr. DREW: On page 4 and on the succeeding pages, at the beginning of paragraph 8, Mr. Sellar is pointing out that a reduction in the number of estimates from approximately 600 to 200 would focus attention on particular subjects and would facilitate debate and give somewhat greater feeling of reality in regard to the subject matter.

But what he then points out at a later point in the memorandum is that this, of course, does not in any way affect the details to be given in a separate part at the end of the book, and that those details have no legal effect in dealing with the estimates, and that you deal with the votes at the front.

My thought is this: if you have a simplification of the items in the presentation of the estimates on which we actually vote, and those details are carried out even more completely under those various items, while it is perfectly true that we do not discuss each one of those items when the vote is called, nevertheless when that vote is called we have greater details with which we can discuss that vote, containing the factors which go into that single item. Carrying it forward, it seems to me that far from having lost control, you have even more complete control if you have fewer items and more details at the end. Because, although it is true that the details have no legal and binding effect on parliament, nevertheless they are shown, and they show what the details are which go to make up the total which we have to approve. And then it would be possible in a subsequent year to check with even more detail how the money has been used.—A. That may well be true. It is very difficult for Civil Servants to know whether a smaller number of votes with more detail is preferred by members of parliament, and whether they would find it more feasible to deal with the items more effectively. Naturally, those of us who are dealing with all the estimates throughout the year are immersed in them, and I am not sure that we can reasonably pass judgment on what is the

most effective number of votes and size of votes for parliamentary purposes. It seemed to us that members of parliament are much better judges of it than we who are civil servants.

MR. THATCHER: Mr. Chairman, after what Mr. Drew has said I must say that the present way for the average back bencher is hard enough to figure out. If there were only 200 items, I am sure it would be a lot harder. And certainly I would be opposed to any method of cutting the estimates as Mr. Sellar suggested from 600 to 200. I cannot see how that would be a step forward at all.

THE VICE-CHAIRMAN: That is a matter of argument. This completes, I believe, Mr. Bryce's evidence with respect to the memorandum now before us and if there are no further questions, Mr. Bryce may be excused. I want to thank him on behalf of the committee.

By Mr. Drew:

Q. One of the points which Mr. Sellar made was in regard to legislating by the inclusion of an item in the estimates which was not in itself put forward under any statutory authority. He pointed out the practice that had developed. He does that in paragraph 17 on page 11 in "Vote Texts that Legislate".

On that point I can recall a number of cases where quite substantial payments were provided for last year that were not contemplated by any earlier estimate or by any statutory provision. I can remember particularly the provision for the payment of certain obligations in connection with some boats that had been supplied to China under the Canadian Commercial Corporation, and other details at that time. Now the point I want to clear up in my mind is: if from time to time it does become necessary to provide money for something that was not covered by any existing statute, would it not be a relatively simple matter to have a clear indication in the presentation of the estimates that that item is being dealt with in that way and not under some statutory provision?—A. I think it would be possible, and on the whole it is done in many cases. For example, look at vote 86 on page 13.

Q. Of the estimates?—A. Of the estimates for this year and you will see in connection with the Comptroller of the Treasury: ". . . . to authorize payment to Norman Bell of compensation at a rate equivalent to £4-10-0 per week in respect of injuries received while employed in the overseas office of the Comptroller of the Treasury." I think that is a case of a vote which legislates perhaps in Mr. Sellar's sense. There is no Act of parliament otherwise authorizing this payment. This former employee of the Comptroller's office overseas was injured in his duties. He does not come under either the Canadian or the British Workmen's Compensation Acts, so this is in effect legislation authorizing that payment, as a weekly payment to him.

Q. I do not want to interrupt your train of thought, but I would point out,—before you leave this item, that while this amount is perhaps relatively small in itself and does not run into hundreds of thousands, or into millions of dollars as some of the other items have on certain occasions, that a layman reading this would not know whether these were authorized payments coming under a statute, or whether they called for approval under any statute at all.—A. Would you like to see a more specific wording indicating that no other statutory provision for such payment exists?

Q. What I am coming to is this: Mr. Sellar in his memorandum presents his point of view in a very realistic way. He refers to the fact that members are confronted with a series of items, and that unless there is a clarifying explanation, it is impossible for them to understand what lies behind a particular vote. If one were to act on this as an auditor, it would be necessary to follow back through and to find out under what statutory provision that particular item

comes; and before you could, as an auditor, pass on these accounts, you would have to find out where they were approved. It would seem to me reasonable that those who are not expert accountants, and who cannot be expert accountants—even if they are accountants sufficiently expert to deal with items of this kind—it would seem to me that they have the right to assume without reference to the statute itself that these are actually covered by some statutory authority, unless there is a clear statement to the contrary. But if there is a clear statement to the contrary, or if there is an excluding statement which says this is not covered by a statute, then it does point out to them that there is a reason for them to inquire as to why it became necessary to make this special provision outside of arrangements already made by parliament.

The VICE-CHAIRMAN: What is your suggestion?

The WITNESS: We have endeavoured in many cases to indicate where there is an Act authorizing payment. But I take it Mr. Drew's question is as to whether it would seem desirable to make quite clear by some sign or some form of wording in each case where other statutory authority for the payment did not exist; for example, take the case in the Department of Transport, on page 64, vote 527, for the Canadian Maritime Commission: "To provide assistance for Canadian flag ocean shipping industry." There is no statute. This item in the estimates is an item authorizing the use of funds for that purpose.

By Mr. Macdonnell:

Q. Does that really give legislative authority for it, and that only?—
A. Yes, sir, I believe that is the case.

Mr. DREW: Here is the point exactly. I believe Mr. Bryce has given an explanation of exactly what I was trying to get in the case of Mr. Bell getting an allowance of £4-10-0 a week. That is very different from the case here. Here we have provision for \$3 million to assist Canadian flag ocean shipping. To draw a comparison, you will find that in the case of assistance to food purchases of certain kinds a statute is placed before us under which the government has authority to finance money under certain terms. In this particular case \$3 million is to be made available for Canadian flag ocean shipping, yet the only legislative authority for it is an item which contains these few words: "To provide assistance for Canadian flag ocean shipping industry. . . ." I do not think we should be legislating for a general provision involving \$3 million in that many words with no more description afforded. And Mr. Bryce has explained that this is the only statutory authority there will be for this amount of money.

Mr. MAJOR: But there was a motion to that effect made in the House last year, was there not?

The VICE-CHAIRMAN: No. There was a lengthy statement made by the Prime Minister when he reviewed the question of ocean going vessels and he said that we would subsidize to the extent of \$3 million, and that was the end of it. That statement was made, and it is a matter of record. And then this followed.

Mr. DREW: That is right. The Chairman has explained the sequence of events. It was at a time when concern was being expressed about Canadian flag shipping and the Prime Minister made an announcement in the House that provision of this kind would be made. But there is no legislation covering it.

The VICE-CHAIRMAN: You are quite right.

Mr. DREW: And the only authority there will be for the advancement of that money, and the only guiding direction there will be, is contained in these few words which are covered as a single item. It seems to me that in a case

of this kind there should be some way in which we could very clearly see that this is the only authority, and it would be an appropriate point at which to point out exactly what the provisions are which apply.

The VICE-CHAIRMAN: I do not think the committee disagrees with you at all with respect to that, nor with respect to a similar item. But would not that be a matter we could put into our report?

Mr. DREW: You could put in a figure giving some clarification in addition which would indicate to the members what this kind of an item was.

The WITNESS: That this was the only legislative authority for such a payment?

The VICE-CHAIRMAN: I think Mr. Drew has a point which needs consideration and I shall ask the secretary to make a note of it and to bring it up at the appropriate time for discussion. I think that something needs to be done.

By Mr. Macdonnell:

Q. I would like Mr. Bryce to say, if he can, if there is any limit to it? I mean are we really, in every one of these items, arc we, so to speak, passing a statute, or is there any limit to it? The particular case we have had before us was cushioned by the fact there was an announcement made in the House. There was a little difference there because a year ago the Prime Minister made certain remarks—whether there is a statutory authority or not—he said it. If we pass this, would not that settle it? Is there really no limit of any kind to a department coming in and asking for authority, and not just saying: all right, if it is passed, it is passed.—A. The reason I hesitate to answer this question categorically is that many of the activities of the government are carried out under general statutes, the implementation of which depends upon the voting of funds in the estimates. So I rather hesitate. Before me I see the geological survey vote. I am not sure how far any statute lays down how far such funds can be used. But I think we would agree that that is a normally accepted function to be carried on if the vote is appropriate, for the expenditure required.

Q. It is part of the ordinary business of the department?—A. Yes. And again there are various votes which are used in one way or another that are not spelled out in detail. Take the Department of Fisheries for example. There is a vote there for assisting in the construction of vessels of the dragger and/or long liner types, subject to such terms and conditions as may be approved by the Governor in Council. And I doubt if there is a specific statute providing for the terms and conditions there. I believe these are votes which have come up for some years and are now regarded as normal functions of the Department of Fisheries. I am not sure whether you would call a vote of that kind, one involving expenditures for which there is no other statutory provision. That is why I hesitate to express a firm opinion. That is because there is a whole series of payments that are covered; one would be based on a statement of policy and another would be by tradition.

By Mr. Drew:

Q. Let us take page 63, item 509: "Contribution to the South Pacific Air Transport Council as Canada's share towards the maintenance and operation of air transport facilities in the South Pacific." Would that be covered by any statutory provision?—A. I doubt it, sir.

Q. That is how it seemed to me, when I saw that item. Take an item like "Civil Aviation Services \$7,708,041". Would that be covered by statute? I am referring to vote 501?—A. I would think it is covered by the statutes relating to the Department of Transport, which has authority to operate airways

and airports. But that is exactly the sort of problem I was speaking of. To what degree would you expect specific provision in statutes in carrying on the functions of making expenditures? Some of the statutes are in very general terms and depend for their implementation upon sums which are voted in the estimates.

Q. I can see three distinct types of cases where these would come up. One is the case where a statute calls for a specific type of service which inevitably involves money, but where it would be impossible to say how much must be done before the payment would be made. Therefore, while there is a statutory obligation on which the government can act, there are many methods of computation which might result. Nevertheless there would be the statutory obligation. That is one case outside of the ordinary run.

Then there would be another case where you would have created a general obligation by statute to perform certain functions which call for some agreement by which the financial obligation would be determined; and you would then have to determine what the amount would be. Then there is another case where there is no statutory provision made and that is the case where we should have a clear warning that we are not just passing on an amount that has been arrived at by the fulfilment of an obligation which parliament itself had created, but that there is a new allocation of money for which there is no authority. Would it be possible for you to have a list prepared to show that type of item wherever it appears?—A. I would have to consult with the Department of Justice on the statutory authority that exists. If the committee wishes us to attempt such a list. That is subject to the problem of trying to decide what general authority is concerned.

Q. My point is this: we have seen one case where \$3 million is voted under no other authority than the wording of a vote itself; and another case of \$112,000 on the page before where no other statutory authority obviously exists than the vote here. So I do not think the method of dealing with it should be so complicated that the only way you find them is first to find out the ones that are not by a general review of the statutes. Surely we should have a system under which those who are sitting in parliament can determine which votes they are called upon to vote and to create authority. We are legislating and we are allowing money, is not that so? And I think we should have a clear indication given to us where in addition to allowing money for a particular purpose we are also legislating.

Mr. MACDONNELL: And we have a fourth case where we legislate by a token dollar, and thereby throw the door wide open for the expenditures.

The VICE-CHAIRMAN: That speaks for itself. The item is there and that is all there is at the moment.

By Mr. Thatcher:

Q. I am not quite clear on this. If parliament passes an item in the estimates, is that not sufficient authority for the passage of the money?—A. Well, in many of these cases the only action that the government takes is the payment of the funds.

Q. Yes.—A. If the appropriation Act, with the item in the estimates included here, authorizes the payment of funds, that may be legislating in a sense that there is no other authority for making such payment in any other Act. For instance, if we compare the situation, let us say, in the case of the Pension Act where that Act lays down all the situations and conditions and such under which pensions are payable, with the type of vote we were speaking of where there is no statute defining the terms and conditions; your Pension Act vote is subject to the terms of the statute. But in the case of the Department of Transport vote, it is not subject to the terms of a specific statute.

Q. What I do not understand is this: when parliament passes that \$112,000 item, can that money be legally spent, or does there have to be a statute behind it?—A. I think it could be legally spent all right. But Mr. Drew's question was: Could parliament have some sign warning it that these are expenditures which will have authority by the item itself and which are not subject to any specific statute relating to them.

The VICE-CHAIRMAN: If it were illegal, we would not do it.

By Mr. Cavers:

Q. Would there be any objection to prefacing the details of service as set out in the estimates with a functional summary perhaps? I mean a summary of the main objects. I think it has been referred to as a functional summary?—A. Yes, by a summary such as Mr. Macdonnell was describing a little while ago. That could be done. And if the committee wishes that to be done, I know that Mr. Abbott would be quite prepared to have it in the estimates for next year.

By Mr. Wright:

Q. I want to ask Mr. Bryce how the Auditor General would know whether the vote gave the authority or whether legislation was required? How does he know that it was spent for the purpose for which it was voted when there is so little detail as to what the expenditure is for. I cannot see how the Auditor General can determine the legality of expenditures of money without more detail covering them. How does the Auditor General in a case like that know what it is for?—A. You mean in the case of a contribution to the South Pacific Air Transport Council?

Q. Yes.—A. He would simply have to satisfy himself that the payments made were made to the South Pacific Air Transport Council and that it was payment of Canada's share towards the maintenance and operation of those air transport facilities in the South Pacific. There were no other conditions laid down by parliament other than those in the general statutes such as the Consolidated Revenue and Audit Act which apply to all expenditures.

Q. It seems to me there would be quite a bit of difficulty in a vote of this kind in determining the legality of some of the expenditure.

Mr. JOHNSTON: I understood the Auditor General to say the other day that that is the way it was, that every time there was a vote he had to look it up and see if there was proper authority behind it.

The VICE-CHAIRMAN: Of course, the fact that parliament passed the estimates is authority for the Auditor General.

Mr. DREW: That is exactly the danger point, what I am getting at is this. For the purpose of defining things one way or the other and so as to clarify my own thinking on it, the situation is this; that in the ordinary course of events when we see the estimates here we assume that the money set out is the money required to carry out obligations that have been created by law by parliament itself and that applies in the light of a great majority of items. In this case where the vote is passed it then becomes law. We should certainly know if we are both legislating and providing money at the same time. What I am pointing out is: here is one item where we voted \$1 million—and another item next to it, just before it, of \$112,000—which could only become legally authorized by the fact that we passed the vote. My thought is that we should know when we are legislating, and then we would be able to obtain such explanations and such assurances as would appropriately safeguard the expenditure of that money. I think you will agree, Mr. Bryce, that it does constitute an entirely different responsibility on the part of parliament when you deal with items of that kind than when you deal with an item that is controlled by the authority of parliament. Is that not so?

The WITNESS: I would agree that where parliament has already laid down detailed determining conditions as to the amount that can be expended there is less need for parliament to enquire on the estimates about the necessity of covering it with terms and conditions which will ensure complete control.

Mr. GAUTHIER: Is there any objection to indicating in votes of this kind whether there is any statutory authority for them?

The WITNESS: The only difficulty I see there is that there may be degrees rather than just a clear cut yes or no. For example, a statute relating to a department may authorize it to carry on in very general terms certain activities; would you regard that then as sufficient legislative authority for making the payments; whereas in other cases a statute may state in great detail the conditions under which the money may be paid; so it is a question of how much control any statute exercised over payments.

Mr. DREW: So that we may have a clear understanding of the matter, would it be possible for you to prepare a list which would show those items in these estimates for the coming year which gain legal authority by the vote itself?

The WITNESS: I think so, sir; we will try to do that if the committee wishes.

The VICE-CHAIRMAN: Yes, the committee wishes it. The committee is very interested in that. The committee wishes that. How long would it take you to do that?

The WITNESS: It will take some days.

The VICE-CHAIRMAN: Well, we are going to be here some days.

Gentlemen, that completes Mr. Bryce's evidence in respect to this memorandum. We still have to get from him the information requested by Mr. Macdonnell, Mr. Drew and Mr. Diefenbaker.

I would like to express to Mr. Bryce on behalf of the committee our thanks for his coming here and for the very able and efficient manner in which he has answered the multitude of questions which have been put to him in a most interesting and capable manner. Thank you very much Mr. Bryce.

—The committee adjourned.

APPENDIX A

9. *Telephones, Telegrams and Postages—National Revenue.*

The amount under this classification for National Revenue is made up as follows:

	1950-51	1949-50	Increase	Decrease
	\$	\$	\$	\$
Customs and Excise Division—				
General Administration—				
Telephones and Telegrams	8,000	8,000	—	—
Inspection, Invention and Audit Services—				
Telephones and Telegrams	5,850	5,850	—	—
Ports, Outports and Preventive Stations—				
Telegrams and Telephones	66,000	55,000	11,000	—
Postage	90,000	90,000	—	—
Taxation Division—				
General Administration—				
Telephones and Telegrams	10,000	15,000	—	5,000
District Offices—				
Telephones and Telegrams	110,000	150,000	—	40,000
Postage	700,000	600,000	100,000	—
Income Tax Appeal Board—				
Telephones and Telegrams	300	*300	—	—
*Not detail in Estimates for 1949-50	990,150	924,150	66,000	—
	—	300	300	—
	<u>990,150</u>	<u>923,850</u>	<u>66,300</u>	<u>—</u>

The increases are to provide for:

Customs and Excise—

 Ports, Outports and Preventive Stations—

 Telegrams and Telephones—

 Increase of \$11,000 is due to an advance in rental rates by independent telephone companies (other than the Bell Company) of approximately 20%.

Income Tax—District Offices—Postage

 Of the increase of \$100,000 an amount of \$75,000 is to bring the estimate more in line with actual expenditure and the balance of \$25,000 is to provide for accelerated follow-up on delinquent persons and other actions requiring the use of the mails.

APPENDIX B

9. *Telephones, Telegrams and Postage—Finance*

The provision for "Telephone Service at Ottawa for all Departments" amounting to \$415,000 was inadvertently omitted from the amount shown for Finance in the general summary for 1949-50 and was included instead in item 30, "All Other Expenditures".

When this is added to the 1949-50 figure of \$1,124,250 the amount becomes \$1,539,250. The comparison with the 1950-51 Estimate then shows an increase for that year over 1949-50 of \$100,650 and the details are:

	1950-51 \$	1949-50 \$	Increase \$	Decrease \$
Comptroller of the Treasury—				
Postage—				
Family Allowance Cheques	875,000	815,000	60,000	—
Registration of Income Tax				
Refund Cheques	260,000	200,000	60,000	—
Farmers' Creditors Arrangement Act—				
Postage	150	500	—	350
Telephones and Telegrams	250	250	—	—
Foreign Exchange Control Board—				
Telephones and Telegrams	32,000	32,000	—	—
Tariff Board—				
Telephones and Telegrams	1,500	1,500	—	—
Wartime Prices and Trade Board—				
Telephones	23,000	40,000	—	17,000
Telegrams	3,000	10,000	—	7,000
Postage	30,000	25,000	5,000	—
Telephone Service at Ottawa for all Departments	415,000	415,000	—	—
	<hr/> <u>1,639,900</u>	<hr/> <u>1,539,250</u>	<hr/> <u>100,650</u>	<hr/> <u>—</u>

The increases are to provide for:

Comptroller of the Treasury—

Postage—Family Allowance Cheques—The additional amount is required on account of the increase in the number of families in receipt of the allowance.

Postage—Registration of Income Tax Refund Cheques—Due to the greater number of refund cheques to be sent out after March 31, 1950 as a result of the increase in the tax exemption on income last year. Many refunds would not be made until after the deadline at April 30 for payment of last year's Income Tax.

Wartime Prices and Trade Board—

While there has been a net decrease of \$19,000 under the general category of Telephones, Telegrams and Postage a decrease of \$24,000 for Telephone and Telegrams is offset to the extent of an increase of \$5,000 for Postage. This increase is considered necessary to provide for an anticipated increase in correspondence relating to rental control matters.

Canada, House of Commons, Standing
Committee on, 1950 (C1 XC)

SESSION 1950

HOUSE OF COMMONS

Government
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1950
no. 13

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

THURSDAY, MAY 18, 1950

WITNESSES:

Dr. J. G. Taggart, C.B.E., Deputy Minister of Agriculture.

Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

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MINUTES OF PROCEEDINGS

THURSDAY, May 18, 1950.

The Standing Committee on Public Accounts met at 4 o'clock p.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Ashbourne, Browne (*St. John's West*), Cavers, Croll, Drew, Fraser, Gauthier (*Portneuf*), Johnston, Kirk (*Antigonish-Guysborough*), Langlois (*Gaspé*), Major, Kirk (*Digby-Yarmouth*), Picard, Richard (*Ottawa East*), Riley, Robinson, Thatcher, Thomas, Warren, Winkler, Wright.

In attendance: Dr. J. G. Taggart, C.B.E., Deputy Minister of Agriculture; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee proceeded to consideration of a memorandum received from Mr. Watson Sellar, Auditor General, and tabled on May 2, containing a draft of a possible revision in the form of the Estimates for the Department of Agriculture.

Dr. Taggart was called, heard and questioned.

Mr. Bryce was recalled and questioned.

Mr. Hansell moved that the Committee sit until 6.10 o'clock p.m.

And the question having been put on the said motion, it was negatived.

At 6 o'clock p.m. the Committee adjourned until Monday, May 22, at 4 o'clock p.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
Thursday, May 18, 1950.

The Standing Committee on Public Accounts met this day at 4.00 p.m.
The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Gentlemen, on the 28th of April, Mr. Watson Sellar, during the course of his presentation of a memorandum to the committee, raised the question of the number of items in the estimates as well as the printed details of the estimates, and indicated that the number of items should be reduced. During the course of the discussion that followed, Mr. Browne asked Mr. Sellar if he could give an example, by using Agriculture, to show how his suggestions could be implemented, and later on Mr. Johnston, on page 81, asked "I wonder if Mr. Sellar could take up the Department of Agriculture, for example, . . . and present to us his suggestions in the matter so that we would have something concrete to go on and we would be able to compare it with the estimates which are before us. I think that would be greatly to our advantage." To which the chairman replied: "That is a fair proposal."

Then Mr. Sellar presented a brief on the 2nd of May of which all the members have had a copy and which was discussed fully on the same day before this committee.

Mr. DREW: That is the one that starts "Near the close of the committee?"

The CHAIRMAN: That is right.

It was suggested during the course of the examination of the memorandum that we should call before us the Deputy Minister of Agriculture, Mr. Taggart, to give his views on the memorandum submitted on May 2nd by Mr. Sellar on the estimates of the Department of Agriculture. The discussion, therefore, today is on that memorandum. Before we open the period of questioning I am wondering if Mr. Taggart has any remarks with which he wants to preface our own suggestions or our own questions.

Mr. THATCHER: Just on a point of information, Mr. Chairman, do I take it that today we can ask questions of Mr. Taggart on this particular memorandum?

The CHAIRMAN: On this particular memorandum and on how to word the estimates of the Department of Agriculture as suggested by Mr. Sellar.

Mr. THATCHER: And we can ask him on details on this memorandum?

The CHAIRMAN: You can ask for all the details you want but not the details of the public accounts of Agriculture.

Mr. FRASER: But anything on estimates, Mr. Chairman?

The CHAIRMAN: Anything on how to word the estimates, how to pool them, leave them as they are, or unite them in a smaller number of items, as suggested in the memorandum which you all have before you.

Mr. FRASER: Yes, I know, but what I am getting at is this, and I think Mr. Thatcher is right—suppose when we come to item No. 2 on page 2 and we want to ask some questions on information services, what it covers, et cetera,, are we allowed to do that?

The CHAIRMAN: What it covers, yes, in order to give you an idea whether it should be improved or not. You may ask what it is, but you cannot go into the detailed expenditures of that vote because that would be a question of public accounts.

Mr. LANGLOIS: Since we were a little confused the last time we studied such a proposal as this one, I would like it to be made clear at the very beginning what these figures represent here. Are they estimates or are they actual expenditures?

The CHAIRMAN: No, they are estimates of the Department of Agriculture which Mr. Sellar suggested in the future should be pooled in twenty items instead of forty-five.

Mr. LANGLOIS: For what year are they?

The CHAIRMAN: It should state on the memorandum.

Mr. FRASER: This is for this year.

The CHAIRMAN: These are the estimates that are presently before the House.

Mr. THATCHER: Mr. Chairman, just one observation: When Mr. Sellar was here you told us there were certain questions that we could ask Mr. Taggart and now that we have—

The CHAIRMAN: Have I been so unfair up to now? The only thing is that I would like to restrict the work of this committee to what it has decided itself it should do, and I do not want to go on and make a speech again. We are on a memorandum on how to deal with estimates, on how best to present them to the House in order that parliamentary control should become better, if possible. It is not a review of the public accounts. It is the study of a new method of presenting estimates, or improving the whole system of presenting estimates. All questions, as Mr. Fraser asked a moment ago, as to what is this and that, and going into details of whether it should come within one heading or another are perfectly in order. But a question as to whether they need three experts in the Department of Botany and Plant Pathology is not in order because that is not a question of principle dealing with estimates at the moment. If we are to accomplish everything we have to do, let us get through with the first item of business first.

Mr. DREW: If we are to accomplish anything we had better start asking questions.

The CHAIRMAN: If I had not said what I did we would have had what we had in other meetings on the part of some of the members.

Mr. ASHBOURNE: As I view it, I think the matter before the committee today is to find out whether or not the views of the witness compare favourably with those of the Auditor General, and if not, to what extent could the method of presentation be further improved.

The CHAIRMAN: That is right; perfect.

Mr. FRASER: Well, now, just a minute, Mr. Chairman, before you start on this. After we clean up Mr. Sellar's memorandum, then will we have Mr. Taggart before us to go into these items?

The CHAIRMAN: Into which items?

Mr. FRASER: Anything in the estimates or public accounts.

The CHAIRMAN: We will finish with the question of Mr. Sellar's memorandum and Mr. Sellar's report before we deal with any other question. Once we are through with the different memoranda submitted by Mr. Sellar, we will have to finish dealing with the review of the Auditor General of which we have considered only about one-third of the items of his report. However, we must get on with the first order of business before we take the second.

Mr. FRASER: When we get to public accounts we want to have Mr. Taggart before us.

The CHAIRMAN: Yes, if we wish to go into the Department of Agriculture; or the steering committee may want to take another department. I do not think that even in a full year we could take all the departments. However, when I am through with speaking and you with asking questions, we will be able to go on.

Dr. J. C. Taggart, C.B.E., Deputy Minister of Agriculture, called:

The WITNESS: Mr. Chairman, this is the first time to my knowledge that the guinea pig has been asked to express his views about the experiments that are being performed on him. Perhaps I can contribute most to the work of the committee by submitting a brief statement that I prepared commenting on the Auditor General's suggestions. If this is agreeable, sir, you can take this document and have it circulated among the committee.

The CHAIRMAN: I think it might be in order if the witness read his statement and after reading it, it will be for the members to ask any questions they want. I think the brief should be passed around to all the members.

Agreed.

Mr. FRASER: Just wait until we get these copies, Dr. Taggart.

The WITNESS: Mr. Chairman, broadly speaking, present practice is to relate estimates to departmental organization. The Auditor General suggests that votes should be related to legislative authority and that certain expenditures, "Acquisition or Construction of Buildings" for example, should be shown separately. The Auditor General also suggests that additional detail be shown under "Details of Services". This summary of the Auditor General's suggestions is not intended to be complete but merely illustrative.

Since the purpose in view is to enable Parliament to understand and pass judgment on proposed expenditures, it seems to me that presentation of estimates in accordance with departmental organization and functions should present a clearer picture than the alternative method suggested by the Auditor General. My reason for this view is that I believe members of Parliament are better acquainted with the departmental organization and functions than they are with its legislative background. I think this is also true of the public generally.

This does not mean that certain votes could not be consolidated if consolidation is desirable. For example, provision could be made for several types of agricultural research work under one vote instead of under several votes as is the practice at present. Other consolidations, such as the one suggested with respect to departmental administration, could be made, in part at least, without changing the general approach.

Some of the suggested consolidations appear undesirable. For example, the Auditor General suggests that Votes 39 and 40 (P.F.R.A. and Major Irrigation. . .) be consolidated into one. There is a distinct difference between the two Votes, both in purpose and procedure. The most important activities under P.F.R.A. are small water developments and community pastures. Depending on the nature of the season and a variety of other factors, it may be desirable to emphasize one or the other of these two activities. On the other hand, once it has been decided to construct major irrigation projects, definite estimates are presented for those projects by name to cover work which it is expected can be completed in the fiscal period. These facts make it appear desirable to continue with two votes.

Since in any event there will be substantial sums of money provided under certain votes, it would seem desirable to give more consideration to the amount

and kind of detail presented in the printed estimates. Mr. Bryce has pointed out that detail is now presented on what he calls a functional basis. Considerable detail as to salaries is given. Other classifications include travelling expenses, acquisition of equipment, supplies and material, freight, express and cartage, buildings and works, and a number of other, and usually less important, classifications. If this method of classification is continued, doubtless it could be made more detailed by including a larger number of more carefully selected classifications. Action in that direction, however, would increase the bulk of the book which probably would not be desirable.

In the case of the Department of Agriculture I think the detail could be made much more useful if it were not necessary to stick rigidly to present rules which require the listing of employees according to Civil Service classification and salary rate. As an example of what I have in mind, I refer to the detail supporting Vote 17. This begins on page 83. Almost a whole page (part of 83 and part of 84) is used to list the personnel of the Health of Animals Division. One line is used to list a typist, Grade 1, who received \$1,320 in 1949-50 and is estimated to require \$1,500 in 1950-51. In the same amount of space it could be set out that we estimated for 413 full-time veterinarians for 1949-50 and 414 full-time veterinarians for 1950-51 at a cost of \$1,365,945 and \$1,622,190 for salaries in the two years respectively. Other employees could be similarly grouped by broad classifications, such as "administrative", "technical" and "clerical" officers. A few senior officers could be identified by departmental title and their salaries could be listed. I suggest the departmental title because it would be much more informative to members of Parliament than designation by Civil Service grade and number.

The condensation I have suggested would allow space in the book for a more comprehensive classification of expenditures for purposes other than salaries.

An entirely different approach to the problem of classification of expenditure might be made. For example, instead of following the "functional" classification, the purposes of the proposed expenditure might be shown. To illustrate what I have in mind, I refer to the detail for Vote 10 (Agricultural Entomology) beginning on page 77. Research work in agricultural entomology is carried on in a central laboratory at Ottawa and at a number of branch and sub-laboratories in various parts of the country. In the central laboratory, fundamental problems of general application are studied. In the branch and sub-laboratories main effort is devoted to regional and local problems. It would seem to me to be much more revealing to Parliament to have in the printed estimates a statement of the expected cost of operating an entomological laboratory at Chatham, Ontario, for example, than to have the whole Entomological Service analysed on the basis of salaries, travelling expenses, freight and express, etc.

It might not be possible to follow the classification I have suggested in all Divisions of the Department, but certainly with respect to experimental and research organizations it would seem much more informative to have at least major laboratories and stations listed by name with an estimate of operating cost.

In brief, it seems that the present method of detailing estimates tends to focus attention on the details of how the job is done rather than on what is to be done. Perhaps two books could be published classifying the expenditures by two different methods, but I hesitate to suggest this without first having had the idea fully examined by Mr. Bryce and his staff.

The CHAIRMAN: There might be two methods of approach for the examination of Mr. Taggart. Are there members who would want to question him on this brief or are we going to take Mr. Sellar's brief item by item and ask him

questions on that, whichever is most agreeable to the committee? Of course I am in the hands of the committee. The statement which he has just read to us covers the one submitted by Mr. Sellar, and it might be desirable first to go through the memorandum which he has submitted item by item.

Mr. DREW: I think that referred, without following it in exact detail but in somewhat more simple form, to the views submitted by Mr. Sellar. I think probably it would be better if we were to take Mr. Sellar's memorandum and discuss it with the witness.

The CHAIRMAN: I thought that might be the method to follow; that we would question the witness on the items in Mr. Sellar's submission starting there at the bottom of page 1, because most of the upper part is self-explanatory.

By Mr. Drew:

Q. Now, Mr. Taggart, I just want to clear up one point before referring to any of the details on the memorandum submitted by Mr. Sellar. You referred to Mr. Bryce's statement, the detail of which was presented on what he calls a functional basis. I understood that Mr. Bryce used the term "functional" in relation to the re-allocation of the items in the memorandum in which he grouped the various items in an entirely different way than that in which they are now presented to us. Is it your thought that he described the present system as being on a functional basis?—A. That is what I thought, but possibly I misunderstood it.

Q. That is just it, and we want to clear up any confusion in terms because if there is confusion in terms there I think it would be well to have that cleared up so as to avoid any confusion in our discussion of the subject matter. What he was getting at there was the presentation of the estimates in summary form on what he called a functional basis, one which would group similar items for the respective department under one functional head.

The CHAIRMAN: I remember that is exactly what Mr. Drew said, that this is a new suggestion for a new division of the estimates.

By Mr. Drew:

Q. I think what I did say was that he brought these together on the basis of function for each of the votes, on the basis of the function for which they were made rather than on the basis of separation by departments or by votes.—A. Yes.

Q. And on page 2 of that memorandum of Mr. Sellar to which your memorandum refers you will see a suggestion there as to the way in which these items might be made out, and he suggests definitely that they might be consolidated under one heading. Now, you make certain comment in regard to that. You made one statement that it would increase the bulk of the book which probably would not be desirable; why do you think it would not be desirable?—A. That point is perhaps not a weighty one but it occurred to me that the greater the bulk the more difficulty a person has who wants to examine into the situation governing any particular matter. If the information can be condensed it would be helpful. I had in mind there particular details in respect to salaries and classifications of individual employees. You see, you could go to the detail section at the back of the estimates and get all the detailed information you wanted there.

Q. Yes. Well, Mr. Taggart, in that respect there is of course a difference between the votes which are actually dealt with and the headings in the details of the estimates which are separate and merely for information and not actually dealt with by resolution in the House. As I understand Mr. Sellar's recommendation it is that by reducing the grouping from let us say 600 to 200 it

would simplify the understanding of the type of thing but that we then could have a still better understanding from the details at the back of the estimates book where the type of item recommended by Mr. Sellar would be amplified and extended on what might be regarded as a rationalized basis; and when I use the term "rationalized" I mean by that there must be the same relationship between departments in respect to functional sections as has been pointed out by yourself; for instance, that a whole line or more than one line may relate to an item for a single employee at a low salary and another similar line might cover a whole branch with a large number of employees. As I understand your recommendation it would be that there should be some general system adopted in regard to condensation of detail and then the detail should be on a reasonably complete basis and sufficiently detailed so that when we vote on this item we would know what we are doing. Is that the way you would interpret his general recommendation?—A. Yes, I think that is correct as far as I understand it. But I gained the impression, perhaps I am wrong—I have not been able to attend the sittings of the committees or to read the evidence as completely as I would like to have—but I gained the impression that the consolidation suggested by Mr. Sellar of bringing the votes into line or into relation with the law, the legal background, would tend to divorce the vote so to speak from the departmental organization that carries on the work; and his interest appeared to me to be in having the vote made on a legal rather than a departmental organization basis, and that to conform to the legal basis they could be consolidated to a much greater extent than would be possible if they related to the functional, or departmental organization basis, and that as a result the members in the House will be able to follow the items more clearly. However, of course, that is a matter of opinion.

Q. The only problem that seems to me immediately to suggest itself in that respect is this, that having regard to the different activities in the departments there may be some difficulty in presenting accounts in relation to the departments structural organization and size. You will see in the memorandum which was prepared by Mr. Sellar that he proposes to consolidate the activities in all the different departments into a small number of items while at the same time giving comparisons for different years. That is a thing which I understood was meant as a type of functional basis in that case, and the idea was to present these in that way on a uniform basis from year to year. I recognize, Mr. Taggart, that that is a matter of policy, but I was wondering whether from the point of view of dealing with this on a departmental basis you see any particular difficulty in having the votes presented on this basis.

The CHAIRMAN: Are you speaking of Mr. Bryce's suggestion of a functional division or Mr. Sellar's suggestion of making consolidations of items? They are entirely different.

Mr. DREW: They are to this extent: as I understood Mr. Bryce's preparation of the material, he followed an attempt to understand just what really would be the result of Mr. Sellar's suggestion.

The CHAIRMAN: No. His memorandum was an answer to your suggestion to divide the votes on functional lines, which was not at all what Mr. Sellar advocated.

Mr. DREW: I don't want to confuse the witness.

The CHAIRMAN: I may be the one confused, but I think the witness prepared his answer to apply to the brief submitted by Mr. Sellar, and in Mr. Sellar's memorandum he dealt more particularly with the Department of Agriculture and suggested the consolidation of certain items for estimate purposes. The memorandum submitted by Mr. Bryce, to which you referred, you will recall was a memorandum prepared as a result of your own suggestion of a functional distribution of estimate material. The two things are entirely different.

By Mr. Langlois:

Q. You have a suggestion here for the listing of employees according to Civil Service classification and salary range and you say that it is not uniform enough, and you suggest that it would be better to use the departmental title which is on a functional basis and to regroup the listing of the employees that way.—A. I had in mind there the present book which lists quite a number of employees, in many cases individuals, under one Civil Service classification. I thought it might be possible to group the employees with equally good effect in so far as information is concerned and then have available more space in your detail part of the book; for example, in our case the location and purposes of laboratories and experimental stations and operating headings of that kind.

Q. Mr. Taggart, suppose we adopted the suggestion that we follow the departmental detail instead of the Civil Service classification rates, would not that be classifying these employees on a functional basis?—A. Oh yes, and that is how I interpret the suggested approach to a distribution of estimate items on a functional basis, as proposed by Mr. Bryce.

Q. Then your suggestion would be that we might adopt Mr. Bryce's suggestion in that respect?—A. Yes, but I think Mr. Bryce's suggestion was really just an elaboration of the present method.

Q. Yes, but it would still be on a functional basis?

By Mr. Drew:

Q. To get back directly to Mr. Sellar's memorandum on page 2, you will see there, Mr. Taggart, that he refers to seven votes which he states might all be covered by one. These all refer to administration of different types, and then he suggests that instead of these separate votes covering different types of administration that there should be a single entry to provide for the general administration of the Department of Agriculture, with the proviso that charges should not exceed so many dollars, that the whole charge should not exceed so many dollars. Then he goes on to say that the details—that would be the details of each of the separate votes—will appear in the back of the book and will give comparisons of costs in previous years, the salaries of the principal officers, the main object of the expenditure, and such other information as is necessary for a proper appreciation of the purpose of the vote. It seems to me that that was the point he was making, that a consolidation of items of a similar nature, as in this case, simplifies dealing with the accounts by grouping them under one vote, general administration, supplemented, of course, by complete detail in the back of the book. Do you see any difficulty in having the material submitted in that way?—A. I think his suggestion could be applied so far as I am aware to our department. It would be more a question of the desirability of doing it that way.

Q. But you do not see any practical difficulty in that method of carrying on your accounts, or in respect to the ordinary internal practice of the department in relation to accounts of that kind, do you?—A. I am not entirely sure of my ground because I am not completely familiar with the accounting methods which are done for us by the Treasury Department. But so far as administration is concerned, it is very desirable from our point of view to be able to allocate funds to particular units where there is an officer in charge and a more or less autonomous organization within the limits set by law and regulation.

With respect to the Chatham laboratories for example, we want to lump salaries, wages, travelling expenses and everything else that goes into the running of that laboratory so that we can know the cost of the operation and appraise the value of the result. We are not merely concerned about the distribution of cost among so-called functional classifications.

Q. But if this method of bringing together one administrative item and giving the details were adopted, there would be nothing to prevent the details

of the Chatham laboratory being kept in your own books and then presented in detail in the second part of the printed estimates?—A. I presume so.

Q. Then, at the bottom of page 2 of Mr. Sellar's memorandum—

The CHAIRMAN: We are on item 1 still.

Mr. DREW: I am sorry.

By Mr. Thatcher:

Q. On page 1 I would like to ask Mr. Taggart about this item 42 in regard to the classification of employees. Could he tell me whether his department classifies P.F.R.A. employees as temporary employees?—A. Yes, temporary.

Q. Mr. Sellar goes on and says, two lines down from paragraph 42:

Until repealed, it is assumed votes should set out a maximum which may be spent on paylist charges. For that reason only, the intent is that each text will include a maximum for paylist charges.

May I take it from that that if the P.F.R.A. employees are temporary, then when we pass an expenditure for them in parliament, they would be limited to that amount? Is that correct?—A. I do not know if I can answer that question.

Q. That is the law, is it not? That is the law according to what Mr. Sellar said:

Until repealed, it is assumed votes should set out a maximum which may be spent on paylist charges. For that reason only, the intent is that each text will include a maximum for paylist charges.

I think this is fairly important in setting out the classification of employees, and in order to seek information pertaining to this statement of Mr. Sellar I wonder if Mr. Taggart would turn to page A-31 of the Public Accounts which pertains to this point,—illustrating it. That is the regulation. If Mr. Sellar made a mistake, we don't have to look it up. I do not understand Mr. Taggart's expenditures on salaries and wages. I find it strange. Each year the estimate is passed by parliament. Let us take this \$475,000 for these employees, which Mr. Sellar says was the pay list, and was a maximum, yet the expenditure was \$936,000 odd.

Mr. FRASER: What page is that on?

Mr. THATCHER: Page A-31.

The CHAIRMAN: Here we are again getting into Public Accounts.

The WITNESS: I am afraid I did not have the Public Accounts before me when the question was raised, so I do not think I have got the point.

By Mr. Thatcher:

Q. According to Mr. Sellar your temporary pay list is limited by the vote of parliament. Why would your wages be almost double the figure voted by parliament?

The CHAIRMAN: What is your reference?

Mr. THATCHER: Page A-31.

The CHAIRMAN: That is vote No. 30. Which line? Here it is: "Salaries and Wages; Estimates \$475,054; allotments \$939,054; and Expenditures \$936,884.31."

The WITNESS: I cannot answer that question without going back to the records.

By Mr. Thatcher:

Q. I think this is a more important point than would appear on the surface because there it would seem that the Department of Agriculture has cut out certain construction and works and spent the money on salaries and travelling expenditures of the P.F.R.A. for that year which, according to Mr. Sellar's

statement would not be according to its legislative powers. There may be some reason for it, and if so I would like to know what that reason is.—A. One reason which I can think of—whether it be right or not in this case I do not know—is the case of the St. Mary's dam. I think there was a contract let, but the contractor at his request was relieved of the obligation of continuing with the construction and the work was undertaken by the department itself paying the wages and so on.

Q. This does not include the St. Mary's dam project.—A. The wages might be the means of acquiring the construction; the same thing would apply.

Q. Excuse me, but that is not possible from the heading of vote No. 30 because it specifies that it is excluded. My point in bringing this up is that apparently the department has spent, let us say, double the amount in salaries which parliament said it was able to do; and it seems to me that that is contrary to the law, if Mr. Sellar's memorandum is correct.

Mr. LANGLOIS: That is your interpretation.

Mr. THATCHER: Well, you tell me if I am wrong.

The CHAIRMAN: Each day instead of following the memorandum we find ourselves going back to the Public Accounts.

Mr. THATCHER: I am on page 1.

The CHAIRMAN: Yes, but your question deals with an item in the Public Accounts. Could you not word your question so that it will come within the memorandum we are dealing with?

Mr. LANGLOIS: It was not a question at all. It was a statement.

The CHAIRMAN: You asked me to be fair and to give you a chance. But for the last five or ten minutes you have been out of order in giving your opinions and trying to get the witness to say something.

By Mr. Thatcher:

Q. Keeping in mind Mr. Sellar's statement:

Until repealed, it is assumed votes should set out a maximum which may be spent on paylist charges. For that reason only, the intent is that each text will include a maximum for paylist charges.

Could the witness not tell me why—if the pay list was fixed last year at \$475,054—it jumped to \$936,894.31?—A. In the first place, the pay list was not fixed at \$475,054.

Q. But is not that the Estimates Figure?—A. The P.F.R.A. vote was voted as one item, as I recall it. It was not voted as Wages and Salaries and various other amounts. The P.F.R.A. vote was one vote; and in the money voted by parliament there was no distinction, as I recall it, between wages and salaries.

Q. You mean you can juggle around with the figures?

The CHAIRMAN: Within a vote—and that has been by Mr. Sellar as well as by Mr. Bryce—not within a department, but within a vote; let us say vote X; you can deal with it in that vote, and if P.F.R.A. is one vote, then the amount voted here is \$3 million; the estimates are \$3 million, and the expenditures were \$2,983,296.27 as reported.

Mr. LANGLOIS: Mr. Thatcher has stopped—at the right place in his citation of Mr. Sellar's recommendation because in the next sentence Mr. Sellar adds:

On the other hand, by consolidating votes, the department should have more 'elbow room' to cope with a situation should a necessity arise. . . .

So in Mr. Sellar's opinion the department should be given more and more room; yet you claim they have too much room right now.

Mr. THATCHER: I would like to pursue this matter and get an explanation of it because as I read these accounts there is something very funny about it; could I get it now or later?

The CHAIRMAN: Perhaps we might ask Mr. Bryce if he can give us an explanation. I see that Mr. Bryce is here with us now.

Mr. BRYCE: Mr. Chairman, I think the explanation is that those items in the Public Accounts represent an allotment made within a vote, and they can be altered with the authority of the Treasury Board, that is, shifted from one allotment to another.

The CHAIRMAN: Within the same vote?

Mr. BRYCE: That is right, within the same vote.

Mr. FRASER: The estimate on that was \$475,054; the allotment was \$939,054; yet the expenditure was \$939,894.31. Now, would you mind explaining that?

Mr. BRYCE: You will note that some of the allotments—the first column which is headed "Estimates".

Mr. FRASER: That is what I meant; estimates, \$475,054.

Mr. BRYCE: That is the initial way in which the total vote was divided. During the year the Treasury Board re-allotted it into allotments which are noted in the second column.

Mr. FRASER: You say the Treasury Board did it?

Mr. BRYCE: Yes, but at the request of the Department of Agriculture. The Treasury Board would re-allot them, and then the column of expenditures shows what took place within those allotments.

Mr. FRASER: The actual expenditures?

Mr. BRYCE: Yes, sir.

Mr. FRASER: Thank you.

Mr. THATCHER: I wish to say that I think it is a dangerous practice.

The CHAIRMAN: You might say so when we come to discuss our report. But at the moment we have a witness before us and you may ask him questions. We are not here on a political platform.

Mr. FRASER: Mr. Sellar's report says that they should have more 'elbow room'. I wonder how much more elbow room is required?

Mr. WRIGHT: Mr. Chairman, those allotments were taken before the Treasury Board when they were asked for. Were reasons given why the allotment on construction should be reduced by \$1,002.228 when the original estimate was for \$1,850.628, and why the allotment for wages or pay was increased from \$475.054 to \$939.054? There must have been some reason.

Mr. BRYCE: Naturally I could not speak from memory as to exact reasons for cases which happened two or three years ago. But generally speaking these changes are normally made in order to adjust the details of programs through circumstances as they develop throughout the year. In this particular case it might well have been that it was decided to have more of the work on small projects done by the hiring of employees, rather than, as in large projects, through letting contracts. I believe the expenditure through contracts would be met under that allotment of which you speak, and it would be \$1,150.000 originally; whereas if that work is done directly through the hiring of labour, through what is called force accounts, it would appear in the first line.

The CHAIRMAN: We have again wandered quite far.

Mr. FRASER: Let us wander just a little more.

The CHAIRMAN: I am sorry, but I think we have wandered far enough. We are on the memorandum of estimates and I think we ought to clear it up. One hour has already gone by. Are there any more questions on item 1 of Mr. Sellar's recommendation as to the pooling of 11 items in the administration votes?

Mr. THATCHER: Are you ruling, Mr. Chairman—

The CHAIRMAN: I am ruling that we go back to this item. You can vote me down if you are not satisfied.

Mr. THATCHER: I still have not got an answer about this pay list.

The CHAIRMAN: You will not get one on this—your question always comes back to public accounts.

Mr. THATCHER: I am coming back to page 1.

The CHAIRMAN: We have got to decide whether we shall have twenty items instead of forty-five in the agricultural estimates.

Mr. THATCHER: Just give me an answer on this and I will be temporarily satisfied. It says: "Until repealed, it is assumed votes should set out a maximum which may be spent on pay list charges." Is that right or is it not right?

The CHAIRMAN: Your question is whether Mr. Sellar's statement here—

Mr. THATCHER: "Until repealed, it is assumed—"

The CHAIRMAN: That is a matter of opinion from Mr. Sellar, on a question of accountancy. Now what question is it that you wish to ask the deputy minister of agriculture?

Mr. THATCHER: I will ask Mr. Taggart that question.

The CHAIRMAN: What is the question?

Mr. THATCHER: If this is the law why then are Mr. Taggart's figures on salary double what was asked for under P.F.R.A.?

The CHAIRMAN: You ask whether section 42 here is the law—"temporary employees shall be paid only out of money specially voted by parliament for the purpose?"

Mr. THATCHER: Yes, and the next six lines.

The CHAIRMAN: Mr. Bryce, will you answer this please.

Mr. BRYCE: I think, sir, that it can best be answered by saying that section 42 which is quoted from the Civil Service Act applied to the estimates in the form they were compiled many years ago, when there were, as I understand it, general votes for what was called civil government salaries and contingencies. At that time it was considered necessary that there be separate votes for temporary employees. After the revision took place in 1938, as I described in one of the earlier meetings of the committee, each vote contained funds for the employment of temporary civil servants so there normally was not the same limitation that was implied in the earlier form of estimates. As a consequence, most of the votes, because of the way they are set out in the back of the estimate book, do contain provisions for temporary civil servants.

I think Mr. Sellar, in his paragraph below, is suggesting that because of this wording in the Civil Service Act there should be special provision in each vote to make it clear that the moneys can be used for the employment of temporary civil servants, in accordance with this section of the Civil Service Act. Now, regarding its application in this particular circumstance, the prairie farm rehabilitation administration is not under the Civil Service Act in any event, so I doubt if section 42 would be applicable to the particular vote for the P.F.R.A. in any case. But, you will notice in Mr. Sellar's subsequent examples that he indicates special limits on the paylist charges.

I am not a lawyer but I believe his own wording does not accomplish what he suggests in his letter should be accomplished. I do not believe the wording makes sufficient legal provision to authorize the use of the vote for paying temporary civil servants—as he suggests section 42 of the Civil Service Act requires.

Mr. THATCHER: I have one more question.

The CHAIRMAN: The question is answered and we are going back to the memorandum. We are on number 1. Are there any questions on number 1?

Mr. THATCHER: Yes, I want to ask you when I may pursue this matter? Will I have a chance before the end of this session?

The CHAIRMAN: I do not know. That depends on the length of the session and the length of time this committee will sit before it finishes its work. I am awfully sorry, but things cannot be otherwise. I would have imagined by now that, with a little good will, you would have understood what we were doing, and what we were asked to do. We are on the first order of business proposed by Mr. Fleming in the steering committee.

Mr. BROWNE: May I ask the witness a question?

The CHAIRMAN: On this item?

Mr. BROWNE: In regard to Mr. Sellar's statement, and I think Mr. Bryce confirms it, that where a vote is put in the agricultural estimates—take the P.F.R.A. vote which I think last year was \$3 million—

The CHAIRMAN: We are out of order again.

Mr. FRASER: We are on the estimates.

The CHAIRMAN: Are you talking about this brief? What page are you at, and what line?

Mr. BROWNE: I have to go by lines now, do I?

The CHAIRMAN: What is your question?

Mr. BROWNE: "Temporary employees shall be paid only out of moneys specially voted by parliament for the purpose?"

The CHAIRMAN: That has just been answered.

Mr. FRASER: A partial answer.

Mr. BROWNE: Does the deputy minister feel he can spend \$3 million in any way he likes?

The WITNESS: Oh no, not the way I like.

The CHAIRMAN: It is not what he feels, it is a question of whether he is entitled to by law. What he feels would not be a fair question.

By Mr. Browne:

Q. Does the witness feel he is entitled to spend that for the general purpose of carrying out the special item on P.F.R.A., or is there any boundary to his spending as long as it can be said to come within the item? Can he spend it on employees? Can he spend it on buying equipment? Can he spend it on building buildings?—A. All those expenditures come within the scope of the P.F.R.A.—to the amount devoted to each particular type of expenditure.

Q. Where would you find the limit for what you would spend on salaries for temporary assistance?—A. As far as I am aware there is no limit in the vote itself.

The CHAIRMAN: We have with us the secretary of the Treasury Board and I would like Mr. Bryce to answer that question?

Mr. BRYCE: Well, sir, if you will look at page 96 of the estimates volume for the current year—and I assume that is the one on which the question was addressed—

Mr. BROWNE: I was going on the 1948-49 year because those are the public accounts we are going to consider later on. That is why I was taking them.

The CHAIRMAN: We are on the memorandum regarding the estimates, Mr. Browne.

Mr. BRYCE: The details of the corresponding vote are set forth on page 96 of the volume of estimates and you will notice that it gives a division or allotment of that vote, rather along the line Mr. Taggart was recently suggesting for the science division,—that is it is divided between headquarters administration, total salaries, community pastures, water development; supply, equipment, and services depot, resettlement and land use.

Under each of these headings you will see a breakdown. Under headquarters administration you see salaries, permanent, and temporary assistants; then, under water development you will see administration and supervision, small projects, large projects.

Mr. BROWNE: Under small projects and large projects there are no details given at all.

Mr. BRYCE: No.

Mr. BROWNE: There is \$1,346,750, but no details at all?

Mr. BRYCE: The amount that can be spent there is for any of the costs attributable to the small projects, whether salaries or materials.

Mr. BROWNE: Which means that someone in the department has a free hand.

The CHAIRMAN: That is another statement, Mr. Browne. Ask questions of the witness and do not be a witness yourself.

Mr. THATCHER: He put it in the form of a question.

Mr. BROWNE: Is it correct that the minister or the deputy minister may spend that money for salaries, or equipment, or structures, or whatever else he thinks necessary to carry out the objective?

Mr. BRYCE: As long as it is for the purpose of these small projects.

Mr. BROWNE: In connection with this \$1,346,750, are there any guides to departmental officials in its expenditure?

Mr. BRYCE: I would say that when they submit their estimates to the Treasury Board they will show supporting details of what is intended in these small projects. When, however, this vote and allotment are approved they then can vary those small details within their discretion without coming back to the board or to parliament. It would probably be better for Mr. Taggart to tell you why they need local discretion, because that is his job.

Mr. BROWNE: As far as members of parliament are concerned when they come to compare the public accounts with the estimates they have no basis to go on.

The CHAIRMAN: Ask a question.

Mr. BROWNE: Has a member of parliament any way of checking on these expenditures?

Mr. BRYCE: Well, sir, the public accounts will show the amount that was provided initially in the estimates.

Mr. BROWNE: In total?

Mr. BRYCE: Yes, for the small projects, together with any amount allotted to that purpose during the year by the Treasury Board—either to that item or away from it. Then the actual expenditures are classified in the same way.

Presumably a member would have an opportunity of inquiring why the expenditure exceeded or fell short of what was originally requested and why the original estimates were changed.

Mr. BROWNE: Is it not true that in the public accounts we will not see these expenditures. We will see a different set of expenditures which will give you the total of the original vote in the volume of estimates of \$3 million?

Mr. BRYCE: No, sir, that would be accounted for under this heading.

Mr. BROWNE: Well how can I illustrate this except by following it us as Mr. Thatcher did and ask Mr. Bryce to look at the public accounts—

The CHAIRMAN: That is why we are out of order.

Mr. WRIGHT: In the estimates we vote this amount—

The CHAIRMAN: That has nothing to do with the memorandum that we are studying.

Mr. WRIGHT: It has to do with the estimates which we are discussing.

The CHAIRMAN: This afternoon we have a witness here to tell us whether Mr. Sellar's suggestion—

Mr. WRIGHT: I am asking him a direct question if you will listen until I finish before you start.

The CHAIRMAN: Let us take it, as even Mr. Thatcher suggested, item by item, although he was the first one to break the agreement by going elsewhere.

Mr. WRIGHT: You have not listened to my question. I am asking—

The CHAIRMAN: Is it on item number 1?

Mr. WRIGHT: Yes. It has to do with this very question—

The CHAIRMAN: Of administration?

Mr. WRIGHT: As suggested by Mr. Sellar.

The CHAIRMAN: Of the eleven administrative votes being pooled into one—that is item 1. Has your question to do with item 1?

Mr. WRIGHT: No, it has not.

The CHAIRMAN: Well, are there any other questions on item 1?

Mr. HANSELL: I have one question with respect to the pooling of estimates?

The CHAIRMAN: Of an administrative nature or is it on another part? The whole memorandum is on pooling of estimates.

Mr. HANSELL: My question has to do with the pooling of estimates generally.

The CHAIRMAN: They all come separately. The details given by Mr. Sellar come under different headings in order to help us understand the agricultural estimates. The first one deals with administrative votes. If you have something else in mind let us wait until we come to it.

Mr. HANSELL: I have in mind something else for illustrative purposes.

The CHAIRMAN: When we get to that you can illustrate it for us. Are there any other questions on number 1?

Mr. THATCHER: Yes, can we get a legal ruling, or can you get a ruling from the department regarding this pooling? As I understand it, and I may be wrong, if we pass a pay list in a vote, parliament is passing so much and it should not be exceeded by the department.

The CHAIRMAN: That is entirely out of order again.

Mr. THATCHER: If you will not let us ask questions what good are we doing?

The CHAIRMAN: We must stay to the business of the committee.

Mr. THATCHER: I want a legal ruling on that.

The CHAIRMAN: We will pass on to something else.

Mr. THATCHER: Will you not get me a ruling on that?

The CHAIRMAN: On what?

Mr. THATCHER: The point made by Mr. Sellar "until repealed, it is assumed—"

The CHAIRMAN: What is the ruling you want?

Mr. THATCHER: I want to know whether that statement is the law or not?

The CHAIRMAN: If you refer back to this memorandum, Mr. Sellar says this: whether these enactments, those in article forty-two which you mention, are now of importance need not now be reviewed. That is what the Auditor General says in his letter. The fact is that existing practice makes them inoperative. There is no mystery to that, it says it right there. Until repealed, it is assumed votes should set out a maximum which may be spent on pay list charges. For that reason only, the intent is that each text will include a maximum for pay list charges. There is no ruling to be had on that, it is a question of opinion.

Mr. THATCHER: Could you get a legal opinion as to that?

The CHAIRMAN: A legal opinion as to what? They will not have anything to rule on. Mr. Sellar says the law at the moment is this but it has been made inoperative by practice.

Mr. THATCHER: It has not been repealed, that is still law. I want the Department of Justice to give us a ruling on that as to whether it should be repealed or not.

The CHAIRMAN: That is right. To make the present practice legal, I think it should be repealed.

Mr. RICHARD (*Ottawa East*): I think Mr. Thatcher has raised the question in a misleading way. Parliament does not pass a pay list, it passes an item which does not allot any particular details.

The CHAIRMAN: Mr. Thatcher, I will tell you what I will do. I will submit the transcript of today's evidence to the Department of Justice and if they can find out from what you have said on what they can give a legal opinion I will ask them for it.

Mr. FRASER: I think Mr. Thatcher is perfectly right.

The CHAIRMAN: Have you any question on No. 1, gentlemen?

Mr. FRASER: Yes, I want to know if they are allowed according to law to exceed that pay list? I want to find that out.

The CHAIRMAN: We are dealing with the pooling of administration votes.

Mr. WARREN: What I would like to ask is this: all this money spent on P.F.R.A. is it not supposed to come back in the course of time to the public treasury?

The CHAIRMAN: That also is out of order, I am sorry, Mr. Warren.

Mr. WARREN: If it comes back why worry about exceeding the pay list?

The CHAIRMAN: Have we any other comments on item No. 1?

Mr. WARREN: I would like an answer to my question.

The CHAIRMAN: Order, Order.

Mr. FRASER: On this grouping here on page 2, I just wonder why Mr. Sellar put in under this grouping, under departmental administration, information services et cetera, and why he included information services in the administration. Would Mr. Bryce know of that, or would Mr. Taggart?

The CHAIRMAN: If I may point out before you ask the question, it is the administration of all branches, Mr. Fraser, not only of information. If you read the item carefully—

Mr. FRASER: I read it but—

The CHAIRMAN: It says that the administration of each branch should be pooled under one vote called administration. If you read from the beginning of paragraph one you will understand the answer.

Mr. FRASER: That is all right, but you have in that grouping departmental administration and then, No. 3, advisory committee on agriculture, No. 5, science service administration, No. 16, production service administration—

The CHAIRMAN: We also have the list in front of us, Mr. Fraser.

Mr. FRASER: We have them all the way through, but information services is a case—wait, wait, Mr. Chairman, I want to find out from Mr. Taggart if that is not just for the printing of booklets, and some of them very good booklets—

The CHAIRMAN: May I say before the witness answers that question, that this item deals with the administration officers of each branch.

Mr. FRASER: That is what I am asking Mr. Taggart.

The CHAIRMAN: And it is suggested it should be pooled in one vote. That has nothing to do with pamphlets or booklets.

Mr. GAUTHIER: That can be asked in the Chamber.

The CHAIRMAN: We are dealing with these eleven services; the administration of these branches; should these be pooled in one vote or should they be kept separate?

Mr. FRASER: I am wondering if we are here to get information or what?

The CHAIRMAN: That is political hullabuloo.

Mr. FRASER: It is not political—

Mr. GAUTHIER: Yes it is.

The CHAIRMAN: Are there any questions on whether or not these eleven items should be pooled?

Mr. FRASER: I do not think, Mr. Chairman, that they should be pooled.

Mr. LANGLOIS: On page 2 of paragraph one, I see that Mr. Sellar has suggested that the acquisition or construction of buildings should be transferred to a works vote and that like treatment be given to provision for works wherever provision is made in the details. Could I get Mr. Taggart's opinion on this suggestion of Mr. Sellar?

The WITNESS: Mr. Chairman, that strikes me as a good suggestion. In our science service particularly, the practice has grown up of putting building projects in the administration vote because buildings are to be used by all the different branches of that service. I agree with Mr. Sellar it would be better to lump these in a works vote. As matter of fact the Public Works Department does most of this work for the Department of Agriculture and really the item is transferred to Public Works to do the work for us.

By Mr. Langlois:

Q. And irrespective of the purpose for which these proposed buildings are built?—A. For instance, a laboratory may be built which would serve three or four of these separately listed scientific groups here and rather than try to split the cost of the proposed building among the four, say, the practice has grown up of putting the buildings all under administration.

Q. Then we would not know what are the purposes of these buildings by, just by looking at the vote?—A. That is true, I think.

Q. That would be the inconvenience of that suggestion. There would be an inconvenience there, would there not?—A. Well, the detail in the back of the book would give the nature of the individual building.

Q. I beg your pardon. It says,

like treatment be given to provision for works wherever provision is made in the details.

That is the part of the suggestion I do not like; that the same principle be applied in the details.—A. I was under the impression that the Auditor General had referred to the Public Works vote. Would it be No. 303 as an example of how he thought those buildings should be listed?

Mr. THATCHER: Mr. Chairman—

The CHAIRMAN: Just a moment, Mr. Thatcher, let the witness complete his answer.

The WITNESS: I am sorry, Mr. Chairman, I do not see the reference now, but I think the Auditor General did refer to the Public Works vote as an example of setting up the building item.

Mr. BROWNE: What are you looking for?

The CHAIRMAN: The witness is answering a question asked by Mr. Langlois.

The WITNESS: I am looking for a reference the Auditor General made to the methods used in the public buildings vote.

The CHAIRMAN: I forgot to consult you as an encyclopaedia, Mr. Browne; we should have turned to you.

The WITNESS: Vote 303, in the Public Works Department.

Mr. LANGLOIS: Mr. Taggart, he refers to page 74.

The CHAIRMAN: The subject of the question by Mr. Langlois is treated subsequently by the Auditor General in paragraph five at the bottom of page 3, it reads:

It is suggested that the provision for construction be transferred to a works vote and the votes then consolidated to read:

To provide for administration and operation of farms...

And that would answer to a certain extent this question by Mr. Langlois.

You see, in the first paragraph the Auditor General tries to pool together all the administrative votes and he refers to No. 5. He notices that in No. 5 they have works included in administration votes and he suggests that should be made a separate vote and that all the administration go in under one heading.

Mr. LANGLOIS: That is all very well, but on page 5 of Mr. Sellar's memorandum you will see that, and I am just asking Mr. Taggart's opinion on it.

The CHAIRMAN: You are right. He wants to ask your opinion on that, Mr. Taggart.

The WITNESS: I am sorry, I didn't get his question.

By Mr. Langlois:

Q. Do you agree with Mr. Sellar there? That is what I asked you and I understood you to answer yes; and then I understood from the evidence that Mr. Sellar went so far as to suggest that the same principle should be applied to the details, and that is what I want your opinion on.—A. As I understand Mr. Sellar's suggestion it is that the provision for buildings be shown separately under the title "Works", and that they be listed as proposed works.

Q. Well, then, Mr. Taggart, if you agree with Mr. Sellar's suggestion on page 2 there where he says—

Acquisition or construction of buildings should be transferred to a works vote (referred to later), and that like treatment be given to provision for works wherever provision is made in the details.

I understood you to agree with this suggestion as far as the vote is concerned but when he wanted to apply the same provision to the details I was not clear as to whether you agreed that his suggestion would be a good one in so far as the details were concerned.

Mr. BROWNE: Now, Mr. Chairman, that is not in order, but then he is a member of the government group.

The CHAIRMAN: I am very sorry. I have to check somebody. I resent the accusation of the chairman being partisan on questions like that. In this case Mr. Langlois did direct the question to the witness.

Mr. BROWNE: He made a statement, just the same as I made a statement.

Mr. LANGLOIS: I beg your pardon, I did not make a statement.

The CHAIRMAN: Order.

Mr. GAUTHIER: He was just asking the witness if he agreed with Mr. Sellar's suggestion. That is not a statement. He was just asking him for his opinion.

The WITNESS: Mr. Chairman, I do not see what further comment I can make. I said I agree with Mr. Sellar's suggestion that the vote for buildings should be taken out of the administrative vote; and, secondly, if I understand this suggestion it is that the list of proposed works be set out in the details, to which I also agree.

The CHAIRMAN: I think that answers your question.

Mr. LANGLOIS: Yes.

The CHAIRMAN: I have a question I would like to ask there. You will see in the paragraph further down at the bottom of page 2 that he suggests consolidating six items listed there under one vote. Would you care to comment on that?

The WITNESS: Only as to what I said at the beginning, that this seems to me to be a more revealing way of putting it, to state that we intend to ask or do ask for certain sums of money for animal and poultry pathology, bacteriology and dairy research, and so on, rather than to lump all those items in one vote.

Mr. DREW: I still must say that I do not see any difficulties presented in that. First of all, do you understand Mr. Sellar's suggestion to mean that this acquisition and construction of buildings be transferred—

The CHAIRMAN: Mr. Drew, we are on No. 2, the pooling of these votes on laboratory services.

Mr. DREW: This is on No. 2, the item there at the bottom of page. That is what what we are on?

The CHAIRMAN: Oh, yes.

By Mr. Drew:

Q. This refers to this subject. These votes refer to a total of \$5,174,301, of which \$326,035 is for "Acquisition and construction of buildings" and \$73,215 for building repairs, which would be transferred to the works' vote. You understand he means by that the Public Works vote?—A. Not necessarily.

Q. I am not clear myself.—A. I take it to be within our departmental estimates, that it would be set out as works rather than included as Public Works.

Q. Would it be segregated into a works' vote and the balance above brought together in one item and then the suggested details would be available in the details section? There does not seem to be any objection to the lumping together of these items with respect to laboratories and so on, you still have the same allocations and accounting and so on within your own department, but you simply carry into the details at the back of the book of estimates the

same information and perhaps more than before, to support the simplified single vote. Wouldn't that be the result?—A. That would be the result.

Q. Well then, I am wondering just what difficulty there is in connection with that.—A. I am trying to think about this from the point of view of parliament who looks at this book and it just seemed to me—I may be entirely wrong and perhaps should confine myself to the duties of my position—but I was just trying to put myself in the position of those who have the decision to make, and it seemed to me that if we voted money for animal and poultry pathology, or bacteriology and dairy research, as is set out here, parliament has a clearer statement and a more definite control as to just what money is being voted for what. From the point of view of departmental administration, however, the other probably would be far more convenient to us because we would have more latitude in transferring from one type of work to another.

Q. Now, without reviving the discussion which took place while I was away, it would appear to me that that discussion related to the fact that there already is recognized a fairly wide discretion as to the re-allocation of moneys within a single vote.—A. Within a single vote, but not as I understand it from one vote to another.

By the Chairman:

Q. Could I ask you a question, Mr. Taggart? At the present time you have here six separate votes, starting with the one for animal and poultry pathology and so on down the list; do you mean that you cannot transfer any moneys from one of those votes to another if you need it?—A. That is right, we cannot do that. We cannot transfer from one vote to another.

Q. You cannot?—A. No.

Q. Now with Mr. Sellar's suggestion of pooling these seven items could you transfer from one item to the other within the same vote?—A. With the approval of the Treasury Board, yes.

Q. I do not know whether this is a fair question to ask you, but does it give better control—I mean over your projects and expenditures with relation to them—to have separate votes rather than just one.

Mr. GAUTHIER: That is a question of policy, Mr. Chairman.

The WITNESS: May I make one statement in regard to this, Mr. Chairman? I will try to keep clear of any matter of policy. But if you will look at votes No. 9 and 10 at the bottom of the page there, agricultural entomology and forest entomology: Some years ago I think those votes were in one vote, and they were separated deliberately in order that the people interested in that particular type of work would know, and quite rightly at the time, how much money was voted for agricultural entomology and how much was voted for forest entomology. It happens that the Department of Agriculture have almost all the entomologists of the country and the department does entomological work not only for Agriculture but for Forestry, National Defence and some of the other departments, and that is the reason why they were separated, so that members of parliament and the public would understand that this money was being voted for forest entomology, for example.

Mr. DREW: I would like to ask Mr. Taggart on that point, from the standpoint of a departmental official, whether there is any difficulty in having it done that way; and, as members of parliament, I think we would like a statement as to which he thinks would be the better way to handle it. What I am trying to get at is this: will there be any practical difficulty from the standpoint of carrying on the work of the department if the change suggested by the Auditor General is carried out?

The WITNESS: From the departmental point of view I think there would be no particular difficulty.

The CHAIRMAN: Would you have any particular advantages by doing it that way?

The WITNESS: From the strictly departmental point of view?

The CHAIRMAN: Yes.

The WITNESS: It would give the departments more elbow room, as Mr. Sellar calls it; if you ran a little short for expenditures for poultry pathology, let us say, we could transfer it from forest entomology, for example; with the consent of the Treasury Board.

Mr. WRIGHT: Could you do that now with the consent of the Treasury Board?

The WITNESS: As the votes now stand we could not make a transfer of that kind.

Mr. DREW: You say, transfer that, Mr. Taggart; but aren't we getting a little bit mixed up in our definition of terms? As we go through the accounts and compare them with the estimates we find case after case where expenditures under the accounts exceed the estimate and where Treasury Board has authorized larger amounts and that is dealt with at some subsequent time by a vote of supplementary estimates if the amount be such that that is necessary; or, if it is still within the amount that has been allocated Treasury Board may make an allocation to cover that amount.

The CHAIRMAN: Mr. Bryce might answer that.

Mr. DREW: Can you do that, Mr. Bryce?

Mr. BRYCE: If it is within the proper vote, yes, sir.

The CHAIRMAN: If it is within the same vote.

Mr. DREW: No, what I am getting at, without going into all the details, is that there are a great many cases where the total expenditure exceeds the original amount voted in the estimates, and then steps are taken to correct it; isn't that so, Mr. Bryce?

Mr. BRYCE: Expenditures cannot exceed the amount appropriated until there is a supplementary appropriation.

Mr. DREW: Yes.

Mr. BRYCE: But these supplementary appropriations limit expenditures to the purposes of the original vote.

The CHAIRMAN: But it has to be voted by parliament and approved as a supplementary vote?

Mr. WARREN: May I ask a question, Mr. Chairman?

The CHAIRMAN: If you have any questions pertaining to the special memorandum you may ask it.

Mr. WARREN: Take for example this year; there have been veterinarians available.

The CHAIRMAN: I am afraid the witness did not understand you. Would you kindly repeat?

Mr. WARREN: I say there have been veterinarians available to go about testing cattle in the different counties. Nobody could say what number of cattle were going to be let go down the drain.

The CHAIRMAN: What is your question, Mr. Warren?

Mr. WARREN: Would it not be possible to estimate what would take place within, let us say, the next five months with regard to the testing of cattle or testing of cows? You could do it, could you not?

The CHAIRMAN: Let us confine ourselves to the question.

Mr. WARREN: I give that as an example.

The WITNESS: We can make estimates of the number of cattle that will be slaughtered, but we cannot guarantee that those estimates will turn out to be exactly right.

Mr. WARREN: They might be wrong.

Mr. THATCHER: Does Mr. Taggart say that he, as deputy minister, thinks that the estimates would be better if worded as Mr. Sellar suggests because they would give the department more elbow room?

The CHAIRMAN: No. He did not say that.

The WITNESS: I think I said that if the votes were allotted, the department, with the approval of the Treasury Board, would have more opportunity to transfer from one type of research to another.

By Mr. Thatcher:

Q. Then you think it is desirable?—A. I do not express an opinion on it.

By Mr. Langlois:

Q. When you say it would be easier to transfer from one item under the same vote to another item, do you mean for example—and I hope I am not making a statement—that instead of voting, let us say, \$1½ million for agricultural entomology and another \$1½ million for forest entomology we could group those two votes and vote \$3 million; and then, by allocation made without the knowledge of parliament, we might spend only a few hundred thousand on entomology and spend the whole balance of the \$3 million on agricultural entomology, and parliament would know how the money was spent only when we have the Public Accounts before us?—A. Exactly, except that we have some departmental organizations for the purpose of carrying on agricultural entomology and other organizations for forest entomology and we could not very well transfer this money without the approval of the Treasury Board unless we switched our work entirely. But what you say is true.

The CHAIRMAN: Is there anything on item 3?

Mr. FRASER: Wait a minute, Mr. Chairman. On item 2 it has been suggested that there could be a transfer from one section to another. Was that done during 1949?

The CHAIRMAN: Now we are out of it. We are not on the Public Accounts.

Mr. FRASER: I just wondered because in 1949 under Animal and Poultry Pathology—

The CHAIRMAN: There again we are switching out of our order of business. Are there any further questions on item 2? Now, item 3? Vote 12 Plant Protection. Have you any comments to make on page 3, item 3?

Mr. DREW: Mr. Chairman, I shall ask one inclusive question and then not ask any more, I hope, because the same question will apply to all of them. I am prepared to take Mr. Sellar's suggestion as to the method of presenting the accounts; but I want to know from a practical point of view as distinct from what might be regarded by members of Parliament as desirable from their point of view: do you see any one of these recommendations referred to in your memorandum—

The CHAIRMAN: Your question appears to be quite general. Why not take No. 3 for instance? It is a broad question, and we have agreed as to the details.

By Mr. Drew:

Q. In regard to No. 3, is there any practical difficulty that you can see?—A. You mean the Plant Protection Vote?

Q. Yes.—A. There is one practical difficulty but it could be overcome by the wording of the vote. That division does work all of which is not directly stemming from the Destructive Insect and Pest Act. Plant Protection covers a greater area than does this Act. The vote could be reworded so as to provide for expenditures under that Act and perhaps the other activities could be named or included with it. I do not think there is a major point there.

The CHAIRMAN: Do you want to refer to No. 2?

By Mr. Drew:

Q. No, I think Mr. Taggart has raised a difficult point there, and it is this: I thought what Mr. Sellar was suggesting in regard to vote 12, "Plant Protection \$731,705" was a general statement and there might be plant protection covered which would be quite different because there might even be plant protection involved in the activities of the new Forest Services. And I thought what he was referring to here was a specific limit to provide for the administration of the Destructive Insect and Pest Act, chapter 47 R.S., and amendments thereto which would more clearly define the functions within the Act which you administer than the present system as set forth?—A. Yes, I think it would. But some activities of that division do not fall within the scope of the Destructive Insect and Pest Act.

Mr. LANGLOIS: Give us an example, please?

By the Chairman:

Q. You mean that the present work under that vote for Plant Protection includes more than Mr. Sellar puts in his items?—A. That is right.

Mr. WARREN: When you send men out into the field to introduce insecticides and so on, how do you estimate the original cost of it? The insecticides must cost money and somebody has to work them up and so on?

The CHAIRMAN: You want to know how they estimate that amount, Mr. Warren?

Mr. WARREN: I want to know how they estimate it in order to be accurate?

The CHAIRMAN: Let the witness answer.

Mr. WARREN: Grasshoppers are not always so plentiful in the west.

The CHAIRMAN: Let the witness answer.

The WITNESS: As I understand it. Mr. Warren, your question has to do with how we make our estimates? In the beginning, the estimates are prepared by the people who are the closest to the problem. Then the items are gradually consolidated into larger items. The men who are closest to the problem are in a position to estimate within their area more accurately than can higher officials. We admit that estimates cannot be made completely accurate, but they must be made.

The CHAIRMAN: Are there any further questions on item 3?

Mr. LANGLOIS: You see that it says:

.... but charges shall not exceed \$ for"

But suppose you have an abnormally large invasion of insects and you have exceeded the maximum mentioned in the vote; you would have to resort to a special order in council, I suppose, if parliament was not then in session?

The CHAIRMAN: You mean a Governor General's warrant?

The WITNESS: We cannot exceed whatever amounts are provided in the estimates, Mr. Chairman. And how additional funds are provided in a matter for the government to determine.

The CHAIRMAN: Item 4.

Mr. GAUTHIER: Suppose you have an ordinary epidemic; you cannot tell ahead of time how far it may go.

The CHAIRMAN: We are on item 4, the vote reading:

13 Experimental Farms Service administration

14 Central Experimental Farms

15 Branch Farms and Stations and Illustrations....

It is suggested, I think, that those three votes be consolidated into one vote.

Mr. HANSELL: Might I ask with respect to item 4, and with respect to Mr. Sellar's statement, as to how these three votes should be handled? If Mr. Taggart agrees with Mr. Sellar's suggestion, or if he does not, could he tell us in what way he disagrees?

The CHAIRMAN: Has the question to do with this particular item, No. 4?

Mr. HANSELL: As far as I can see it is the only question we need to ask on this item.

The CHAIRMAN: I think the question is perfectly in order.

The WITNESS: The proposal is to ask for one vote for the experimental farm service instead of three as at present. From the point of view of the department that proposal would offer no administrative difficulty, but I was under the impression that the objective here was to discover a method that would enable the estimates to be put before parliament in a more clear manner. It just seemed to me that if the votes were separated, somewhat in the way they are now, parliament could get a better picture of what the money was going to in this branch?

The CHAIRMAN: Are there any further questions on number 4?

Mr. HANSELL: I would ask the same question with respect to number 5?

Mr. MAJOR: Grouping it together would make things a little more difficult to understand for the member who would be wanting to ask questions?

The WITNESS: It is a matter of policy.

The CHAIRMAN: We will go on to item 5—that provision for construction be transferred to a work vote.

Mr. HANSELL: I would ask the same question I asked in relation to 4 here?

The WITNESS: May I answer with respect to number 5 that Mr. Sellar repeats the suggestion that provision for construction be transferred to a work vote. I think I answered previously that I would agree with the suggestion as one that would more truly reveal the intention.

The CHAIRMAN: Is that the answer to the question you had in mind?

Mr. HANSELL: I do not care what the answer is.

The CHAIRMAN: I did not refer to the answer; I referred to the question.

Mr. JOHNSTON: I notice that it is very definitely stated in items 4 and 5, and I imagine that it is in the others. "but charges shall not exceed blank dollars for paylist charges." Why is he so definite on that? I noticed the similarity in each one and I wondered why it would be?

The WITNESS: I am afraid I cannot offer an opinion as to what Mr. Sellar had in mind there.

The CHAIRMAN: I think that might be a fair question for the secretary of the Treasury Board.

Mr. JOHNSTON: Mr. Taggart was expressing his approval of this wording of Mr. Sellar's and I was wondering if there was some significance to it.

The CHAIRMAN: Have you any comment to make on that?

The WITNESS: Perhaps I misunderstood the question but I thought it was what Mr. Sellar had in mind when he made this proposal.

Mr. JOHNSTON: Why would it be put down specifically like that: "but charges shall not exceed so much for paylist charges?" I take it the inference is there at least, but I may be wrong, that paylist charges do exceed a stated amount on other occasions, and here Mr. Sellar suggests the statement that charges shall not exceed so much. That is the only interpretation I can think of.

The CHAIRMAN: May we ask the expert from the Treasury Board.

Mr. JOHNSTON: I do not care who answers it as long as I get an official answer.

Mr. BRYCE: As I understand it, Mr. Sellar has suggested this wording for the purpose of conforming with section 42 of the Civil Service Act which he cited in his letter of transmittal with this memorandum. As I said, in answer to an earlier question, the words do not seem to me to meet the purpose that he appears to have had in mind. The wording, I do suggest, would restrict the amount of a vote that could be used for salaries and wages, so that there would be no question then of allotting to salaries funds for other things such as for materials, supplies, construction or travelling expenses.

Mr. JOHNSTON: Is that done on occasion?

Mr. BRYCE: It is done on occasion, yes sir.

Mr. JOHNSTON: Moneys voted for building purposes are transferred to salaries?

Mr. BRYCE: In the details explaining each vote in the back of the estimate book it may be indicated, for example, in regard to the vote for agricultural entomology, that total salaries and wages or the amount provided for total salaries and wages is \$1,045,912; for acquisition of equipment, \$114,307. It may be that during the year some amount may be transferred from acquisition of equipment, to salaries and wages. That could be done legally by a transfer of the allotment by the Treasury Board. It is occasionally done in certain votes.

Mr. JOHNSTON: You suggest the wording that Mr. Sellar gives is not just clear in meaning. What would you suggest?

Mr. BRYCE: Well, if one wished to serve the purpose that he seems to have had in mind, I would think it would be better to say: "including blank dollars for paylist charges, including salaries of temporary employees." It might be something of that sort, if it is legally necessary to do what he rather suggests is necessary here.

Mr. JOHNSTON: That would be your suggestion?

Mr. BRYCE: I have not taken it up with any lawyers.

Mr. LANGLOIS: Mr. Bryce, Mr. Sellar also suggests that we give more elbow room to the department. By that I take it he suggests that the departments be allowed to provide for their estimates above the amount which they think would be normally required. Is that the interpretation of what he has in mind?

Mr. BRYCE: I think Mr. Sellar's suggestion would permit more elbow room in switching money from one purpose to another purpose; but it would provide less elbow room for switching money from one type of expenditure such as the purchase of equipment, to another type of expenditure such as salaries.

The CHAIRMAN: Are there any further questions on item 5? As it is now 6 o'clock, the meeting is adjourned.

Mr. THATCHER: May I make a motion before we adjourn?

The CHAIRMAN: The meeting is adjourned. It is 6 o'clock, and there is no need for a motion to adjourn.

Mr. FRASER: Can we not even have a motion?

The CHAIRMAN: It is 6 o'clock, we will meet again on Monday at 4 p.m.

Mr. HANSELL: I move that we sit another ten minutes.

Mr. FRASER: I second that motion.

The CHAIRMAN: There is a motion that the committee sit another ten minutes.

Some hon. MEMBERS: No, no.

Mr. THATCHER: That is pretty shabby, Mr. Chairman.

The CHAIRMAN: You have been here for two hours, and if you had a motion in mind you could have informed me and I would have given you five minutes at the end or at any time you desired. We shall sit again on Monday afternoon at 4.00 p.m.

Mr. THATCHER: Why meet at all.

Committee on, 1950

SESSION 1950

HOUSE OF COMMONS

Government
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No. 14

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

MONDAY, MAY 22, 1950

WITNESSES:

Dr. J. G. Taggart, C.B.E., Deputy Minister of Agriculture
Mr. R. B. Bryce, Assistant Deputy Minister of Finance

OTTAWA
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on
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Drew		

Clerk: A. L. Burgess.

MINUTES OF PROCEEDINGS

MONDAY, May 22, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Chairman, Mr. L. Philippe Picard, presiding.

Members present: Messrs. Anderson, Ashbourne, Benidickson, Blue, Browne (*St. John's West*), Cauchon, Cavers, Croll, Drew, Fleming, Fulford, Fraser, Helme, Johnston, Major, Richard (*Ottawa East*), Riley, Robinson, Stewart (*Winnipeg North*), Thatcher, Thomas, Warren, Winkler, Wright.

In attendance: Dr. J. G. Taggart, C.B.E., Deputy Minister of Agriculture; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Chairman presented the second report of the sub-committee on procedure and agenda, which is as follows:

The sub-committee on procedure and agenda met at 2.00 o'clock this afternoon at the request of Mr. Wright.

The sub-committee discussed a suggestion that the Committee defer further consideration of the proposals set forth in the memoranda tabled by the Auditor General respecting a revision in the form in which estimates are presented to the House, and that it proceed directly to an examination of the Public Accounts. An alternative suggestion was made to the effect that the whole question of the form of estimates be referred to a sub-committee to be appointed for that purpose.

Your sub-committee is of the opinion that the study of the memoranda submitted by Mr. Sellar on the form of the estimates and other relevant matters, on which the Committee is now engaged, should be concluded and the Committee's recommendations reported to the House before any other business is undertaken.

Your sub-committee, therefore, recommends that the examination of the present witnesses, Dr. Taggart and Mr. Bryce, be concluded and the Comptroller of the Treasury called as the next witness, to be followed by a representative of the Department of Finance to tell us why a change was made in the estimates in 1938, and the underlying reasons; and any other witnesses whose presence may have been requested by Members during our discussion of Mr. Sellar's memoranda and concerning the latter.

Your sub-committee also recommends that questioning of these witnesses be strictly confined to the proposals contained in the Auditor General's memoranda of April 27 and May 2.

Your sub-committee also points out that there are 94 items of the 161 comprising the Auditor General's report still to be dealt with and recommends that these be considered immediately the matter of estimates now under discussion is disposed of.

It was agreed that the question of the order of business to follow the Auditor General's report be decided at the next meeting of the sub-committee.

Mr. Croll moved that the report of the sub-committee be concurred in.

Mr. Thatcher moved in amendment thereto that all the words after the word *sub-committee* in the first line of the second paragraph thereof be struck out and the following substituted therefor:

That this Committee proceed, at its next regular meeting, to deal specifically with an examination of the Public Accounts.

After discussion, and the question having been put on the said amendment, it was negatived.

And the question having been put on the main motion, it was agreed to.

The Committee resumed consideration of a memorandum received from Mr. Watson Sellar, Auditor General, and tabled on May 2, containing a draft of a possible revision in the form of the Estimates for the Department of Agriculture.

Examination of Dr. Taggart and Mr. Bryce was continued.

The witnesses retired.

At 5.45 o'clock p.m. the Committee adjourned until Tuesday, May 23 at 11 o'clock a.m.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MONDAY, May 22, 1950.

The Standing Committee on Public Accounts met this day at 4 p.m. The Chairman, Mr. L. Philippe Picard, presided.

The CHAIRMAN: Order, gentlemen.

Gentlemen, since we met last the subcommittee on procedure and agenda met at 2 o'clock this afternoon at the request of Mr. Wright. The report reads:

"The subcommittee discussed a suggestion that the committee defer further consideration of the proposals set forth in the memoranda tabled by the Auditor General respecting a revision in the form in which estimates are presented to the House, and that it proceed directly to an examination of the public accounts. An alternative suggestion was made to the effect that the whole question of the form of estimates be referred to a subcommittee to be appointed for that purpose.

Your subcommittee is of the opinion that the study of the memoranda submitted by Mr. Sellar on the form of the estimates and other relevant matters, on which the committee is now engaged, should be concluded and the committee's recommendation reported to the House before any other business is undertaken.

Your subcommittee, therefore, recommends that the examination of the present witnesses, Dr. Taggart and Mr. Bryce, be concluded and the Comptroller of the Treasury called as the next witness, to be followed by a representative of the Department of Finance to tell us why a change was made in the estimates in 1938 and the underlying reasons and any other witnesses whose presence may have been requested by members during our discussion of Mr. Sellar's memoranda and concerning the latter."

Your subcommittee also recommends that questioning of these witnesses be strictly confined to the proposals contained in the Auditor General's memoranda of April 27 and May 2.

Your subcommittee also points out that there are 94 items of the 161 comprising the Auditor General's report still to be dealt with and recommends that these be considered immediately the matter of estimates now under discussion is disposed of.

It was agreed that the question of the order of business to follow the Auditor General's report be decided at the next meeting of the subcommittee.

Mr. STEWART: Mr. Chairman, I didn't quite understand that, I thought the procedure was to finish with the witnesses now before the committee, Mr. Taggart and Mr. Bryce, and then call one from the Treasury Board to clear up the other point which was raised, about how the form of the estimates came to be changed back in 1938. I did not know that we were to call any other witnesses.

The CHAIRMAN: No, other than those whom it was already decided to call, in answer to requests which have been made during the proceedings up to this point. We have had a number of witnesses appear before us and during the course of the discussion of the memorandum submitted by Mr. Sellar certain members of the committee asked for the appearance of certain other officials.

Mr. STEWART: Yes.

The CHAIRMAN: And one of those asked for, for instance, was the Comptroller of the Treasury. I am not going to call them by name.

Mr. STEWART: Right.

The CHAIRMAN: Then we discussed Mr. Winkler's proposal—I don't recall on just which page of the memorandum—to bring before us maybe the Comptroller of the Treasury or somebody from the Treasury Board to give us information as to why the change in the form of the estimates was made in 1938, since which date they have appeared before us in the form in which we now have them, and to get them to tell us the reason for presenting the estimates in the way they do. We have had a recommendation from the Auditor General as to what changes should be made, and it was thought that we should consider whether the changes now proposed would not put the form of the estimates just back in the shape in which they were prior to 1938. The general feeling was that we should have a detailed statement as to the reasons for the change at that time so that we could form an intelligent opinion as to the value of the change in the light of the recommendations of the Auditor General. I thought it was also understood that we would finish with those we now have before us; namely, Mr. Taggart and Mr. Bryce, to be followed by the Comptroller of the Treasury or a representative from the Department of Finance, to tell us why that change was made; and that may be the Comptroller of the Treasury or it may be Mr. Bryce again, whatever official can best give us that information. Then I think it was Mr. Wright who requested that we have someone here to give us details as to why the Prices Support Board have acted in a certain way with the result that there was a certain comment or recommendation by Mr. Sellar in his report. It was considered that at the present time the number of witnesses on the matter now before the committee should be limited to those to whom I have referred.

Mr. STEWART: Well now, Mr. Chairman, this is getting into an argument. I thought that the Comptroller of the Treasury and one of the other officers who could tell us about the change which was made in 1938 were to be called and I thought we were going pretty well to limit the necessity of calling witnesses just to those I have mentioned.

Mr. THATCHER: May I say a word?

The CHAIRMAN: Certainly.

Mr. THATCHER: I want to express entire disapproval of what you have just said. I wish to make a motion, if I may.

The CHAIRMAN: We should first dispose of this report.

Mr. THATCHER: May I amend the motion to adopt the report?

The CHAIRMAN: Yes, but no one has moved the adoption of the report yet. As soon as that is done the motion will be open for discussion.

Mr. THATCHER: But we cannot put an amendment to that motion?

The CHAIRMAN: Yes, when it is put.

Mr. THATCHER: I would like to make an amendment to that report.

The CHAIRMAN: Have you the wording of the amendment you wish to put?

Mr. THATCHER: I haven't the exact wording.

The CHAIRMAN: The clerk reminds me that the motion must be put before it is open for discussion or amendment.

Mr. THATCHER: Would there be an opportunity of doing that?

The CHAIRMAN: Yes. Mr. Croll moves that the report of the steering committee be adopted. Now, your amendment to the motion can be put.

Mr. THATCHER: At the point there, Mr. Chairman, I would like to amend that motion to read as follows—

Mr. FLEMING: Would you read the lines you are striking out?

Mr. THATCHER: I haven't had time yet to read it.

Mr. BENIDICKSON: You can't go ahead with that until we find out what the committee are going to do with the report of the steering committee. Were they unanimous in their report?

The CHAIRMAN: I assumed that they were unanimous. This is what I understood they had agreed upon.

Mr. STEWART: I would like to be quite clear as to my stand in the matter. According to my recollection we were to finish with the present witnesses and then have the Comptroller of the Treasury and then some other person tell us the reasons for the changes made in 1938, and that at the conclusion of that we would go to public accounts.

Mr. CROLL: That is my understanding.

Mr. BENIDICKSON: That is my understanding.

The CHAIRMAN: You see what I say here. The persons indicated as witnesses on this issue are persons whose presence has been requested by members of the committee during our discussion with Mr. Sellar, and I understood that the subcommittee had agreed to everything which is here. Then there was Mr. Wright's suggestion about the Prices Support Board business, that we call an officer of that board on the point he raised. I think the only other matter involved is the point raised by Mr. Drew concerning the Cartierville property. I think at the time and since it was agreed that the matter should be dealt with by officials either from Surplus Crown Assets or the Wartime Prices and Trade Board who would be called here to clear up those points. I believe that during the course of our discussions it was decided that we would not leave anything in our records unfinished. Mr. Drew raised that question during the course of our discussions and I think it is only fair to those who have been mentioned that the points in which they are concerned should be cleared up, and also that we should hear the Comptroller of the Treasury or other official from the Department of Finance on the matter of the change in the estimates which was made in 1938.

Mr. WRIGHT: Mr. Chairman, I maintain that the whole recommendation from the subcommittee is out of order and beyond the jurisdiction of this committee. The jurisdiction of this committee as laid down by the House in its reference states this: "The Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things that may be referred to it by the House." Now, what was referred to it by the House? "That the public accounts of Canada and the report of the Auditor General for the fiscal year ending March 31st, 1949, which were tabled in the House on October 31st, 1949, be referred to the said committee." There is nothing at all in the reference to this committee from the House to deal with estimates, nothing at all; we are not an estimates committee we are a Public Accounts Committee, and the public accounts were referred to the committee; and this committee has done nothing to date except talk about estimates. I think our whole procedure has been out of order.

The CHAIRMAN: This is the first time that point has been raised and it is raised by yourself and your colleagues, nobody else has taken any objection.

Mr. FLEMING: Mr. Chairman, may I speak to the amendment?

The CHAIRMAN: Yes.

Mr. FLEMING: I think that our procedure up to the present time has been entirely in order. I do not think that Mr. Wright means to contend that this Public Accounts Committee has no power to entertain on the part of the Auditor General a submission of the kind of memorandum which he has submitted to us. If he had any such objection I think the objection should have been taken at the time. It seems to me that not only is the submission of such a memorandum entirely within the scope of the reference to this committee, but this is not the first time that the committee has received similar evidence or undertaken similar inquiries. It is the work of this committee to examine and consider the report of the Auditor General, and incidental to that are such submissions and recommendations in support of it as he sees fit to it. And I

recall very distinctly, Mr. Chairman, that we have given consideration to similar recommendations and a similar report in other years. I remember that this committee held extensive sittings in 1947 on this very matter.

Mr. WRIGHT: Not on estimates.

Mr. FLEMING: We had the same kind of reference and the same kind of review in which we dealt with the question of the presentation of the estimates and the form of the estimates, and that the committee recommended giving effect to certain suggestions of Mr. Watson Sellar in regard to more ample consideration of the estimates. And I will remind the committee of this, that the Public Accounts Committee in 1947, not only heard that evidence during the course of a long inquiry but actually reported to the House along these same lines, and one of the recommendations made by the committee at that time was the setting up of a standing committee on estimates, and it recommended also that there should be an amendment to the Consolidated Revenue and Audit Act. So, Mr. Chairman, this is nothing new in the inquiries of the Public Accounts Committee. I think far from being out of order it is something on which the Public Accounts Committee can render very useful service. But having said that, sir, may I say also that I think one of the things that we did agree on was that we wanted to get on with the detailed items of the public accounts, and the feeling of the steering committee today, as I sensed it, was this: let us bring to a conclusion as quickly as we can this review of the estimates aspect, the form of the estimates and so on; and, having done that, let us write our interim report and submit it to the House; and then, having done that we would go on to the next order of business before the committee, namely, a consideration of the balance of the report of the Auditor General. To date, out of 161 items, I think it is, we have disposed of 50 or 60. We will have to clear up the balance of his report before proceeding to the next order of business which will have to be decided upon. And you will recall, Mr. Chairman, that it was decided by the steering committee, subject of course to the approval of the main committee, that before the next meeting of the subcommittee the several members on the steering committee would consult with their colleagues as to the next order of business they would like to have considered. There have been many concrete proposals as to the next item to be studied. It may be that there is room for some misunderstanding. I don't recall the exact phrase in the report you read, Mr. Chairman, but I think the general understanding was that there would be three or four more witnesses to finish up this phase of the matter and that if certain members of the committee had asked for particular witnesses at certain stages of the proceedings that those particular witnesses would be called on matters relative to or arising out of the proceedings and evidence to date. I think the whole tenor of the meeting was clear, and I believe it is acceptable to the sentiment of this committee that we should proceed in an orderly manner as quickly as we can to complete this phase of our inquiry and make a report on it and then go on.

Mr. RICHARD: I think as far as the other witnesses are concerned that if we are to hear them the responsibility should be put on those who asked to have them called.

Mr. CROLL: I think the responsibility belongs to this committee. We do not want to be placed in the position where it can be said that certain people asked that certain witnesses be called and that we did not give them an opportunity of appearing. That is the sort of impression that gets out and when it does it doesn't do anyone any good. If we have given any undertakings as to the appearance of witnesses asked for we certainly must find some opportunity for them to appear; and I, for one, do not think the committee should be put in that impossible position. I think we are bound to hear those who have been asked for, and I think the responsibility is ours as a committee to see that those witnesses are called and given an opportunity of being heard.

The CHAIRMAN: Does anyone else want to speak on the point of order raised by Mr. Wright?

Mr. BROWNE: Mr. Chairman, I would like to support Mr. Wright to a certain extent while agreeing with Mr. Fleming on the idea of continuing and finishing up this part of the business we are on. But nevertheless, concerning the point of view expressed by Mr. Wright that this has been referred to us by the House, how will it look when we go back to the House with a report and we are not allowed to say anything about the public accounts?

Mr. CROLL: Mr. Chairman, that is the sort of thing I object to.

Mr. BROWNE: Mr. Chairman, I have the floor, I think.

The CHAIRMAN: No, no. This is a point of order raised by Mr. Croll. You made a statement and the gentleman raises a point of order.

Mr. CROLL: I object to the statement made by the hon. member who used the term "not being allowed to examine the public accounts". That is the sort of charge we are constantly being subject to and it is not true. We do not deserve it. You are the one who is now attempting to go back on the suggestion you made originally.

Mr. WRIGHT: Show me where there is anything in the first—

Mr. CROLL: On a point of order, Mr. Chairman, the motion was made by Mr. Thatcher to examine these various accounts in detail.

Mr. THATCHER: Mr. Chairman, that is not correct.

The CHAIRMAN: One by one, if you please. You moved that Mr. Sellar's report be studied item by item.

Mr. THATCHER: No, I did not. I said there should be a summary of the main objects and expenditures.

Mr. CROLL: Well, read the report. The minutes are there. I think it was upon Mr. Thatcher's motion that we first proceeded as we did. Now he finds it—

Mr. THATCHER: We are not getting anywhere.

Mr. CROLL: Stop questioning the witnesses and we will get on with public accounts. I object to the objections being made here.

Mr. THATCHER: I would refer this committee to page 3 of Minutes of Proceedings of this committee No. 1, where the Order of Reference is set out. It reads:

That the Standing Committee on Public Accounts be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Ordered,—that the Public Accounts of Canada and the Report of the Auditor-General for the fiscal year ended March 31, 1949, which were tabled in the House on October 31, 1949, be referred to the said committee.

The CHAIRMAN: You have had fifteen meetings up to now.

Mr. THATCHER: Mr. Chairman, for the last few weeks we have been discussing estimates of the Department of Agriculture. I defy anyone to tell me where in this order of reference it refers to estimates. I support Mr. Wright completely. We have no power to be studying estimates. I am one who feels that this committee could be one of the most useful committees in the House.

The CHAIRMAN: So do we all feel.

Mr. THATCHER: But I do not see how we can get anywhere unless we examine the public accounts and do the job that parliament gave us to do. I think the main job of this committee is to find savings. But every time we

get to a saving we are ruled out of order and told that we should stick to the estimates. I resent being called out of order. I wanted to move this motion at three minutes to six the other night.

The CHAIRMAN: No, it was six o'clock. The meeting was adjourned and six o'clock had been called.

Mr. THATCHER: I agree with Mr. Wright that we have no business to be on estimates at all. I would like to move an amendment.

The CHAIRMAN: My point is this: Mr. Fleming—

Mr. WRIGHT: Mr. Chairman, may I ask a question when you are through?

The CHAIRMAN: Yes. Mr. Fleming is entirely right when he says that the discussion as to the form of estimates arises directly from the auditor-general's report. Let me say that in the past, under my own chairmanship, on many occasions this committee has had as its order of business a consideration of the auditor-general's report and the memorandum of the auditor-general. Last year the report concerned the form of representation of accounts. The year before the memorandum was along the same line as this year as to the question of estimates, yet nobody found it to be outside the scope of the reference. That practice has been followed by this committee. I do not see why, after we have had sixteen meetings, this point should be brought up today.

When the Steering Committee first sat we discussed what would be the order of business. Somebody suggested that we should take this procedure and the decision was unanimous. It may be that someone thought it would take less time, but that is not my fault. If it has taken so much time, it is because so many of the questions asked were outside the order which the sub-committee had set. I think that the question of the form of estimates is perfectly in order and it arises from the auditor-general's report. It has been the practice of this committee in the past to treat the question on many occasions and the thing has never been challenged in the House.

Mr. WRIGHT: If you will just read the report of the committee, Mr. Chairman, you will see that one of the reasons why the committee takes so long is that the chairman takes so long.

The CHAIRMAN: The chairman has to take a longer time because the members insist upon wandering.

Mr. WRIGHT: I make that as a statement and you can check the records to see whether or not I am correct. And what is more, just because the committee went through a certain procedure last year, or the year before, or the year before that, it does not necessarily follow—

The CHAIRMAN: The time to have objected was when the report of the steering committee came before the main committee.

Mr. WRIGHT: When the first report of the Steering Committee came before this committee there was no motion.

The CHAIRMAN: Anybody was entitled to speak.

Mr. WRIGHT: I know that, but there was no motion.

The CHAIRMAN: It was not requested by anybody. One or two questions were asked by Mr. Macdonnell and then we passed to another order of business.

Mr. WRIGHT: But you never moved it.

The CHAIRMAN: If anybody objected to it at the time he could have done so. You could have done so. You could have used your tongue then.

Mr. WRIGHT: Why was it not moved?

The CHAIRMAN: Today I thought there was a difference of opinion in the committee so I move the acceptance of the report to make sure that it was the opinion of the committee. In the first instance there was no amendment

moved by anybody, nor was there a question of an amendment being moved. We have that on page 12. The report of the Steering Committee was read to the main committee and nobody objected to it and it was accepted. You had a representative of your own group on the Steering Committee, and it went on that way; and I read the report and nobody objected to it and we called Mr. Sellar right away.

Mr. RICHARD (*Ottawa East*): I resent the suggestion that we are out of order. I submit that this question of estimates arises out of the auditor-general's report.

Mr. THATCHER: Where does it say that?

Mr. ROBINSON: Let Mr. Thatcher look at page E-4.

Mr. THATCHER: But page E-4 is not in the auditor-general's report.

Mr. WRIGHT: We are talking about the estimates and the auditor-general's report of this year.

The CHAIRMAN: In the auditor-general's report you will find it on many occasions. In respect to item 4 vote 330 the suggestion is made that there be a single general vote in the estimates instead of many which cover different items—the Department of Trade and Commerce and the Department of Veterans Affairs, and so on.

Mr. THATCHER: That is public accounts.

The CHAIRMAN: No. No. You just mentioned the auditor-general's report. This is in the auditor-general's report. There are many suggestions in the report as to a change being advisable in the way the estimates were worded, or in the way in which they were presented. So, as we have done in previous years, we have asked the auditor-general to preface our study of this report by a memorandum, which has dealt with the estimates in the form of representations. It has been considered in order in previous years, and the question has never been raised in the House. Neither has it been raised in this committee; and no amendment was moved. But now after we have sat fifteen times objections are made. So I rule it in order. Shall the motion made by Mr. Croll that the report of the sub-committee be adopted carry?

Mr. THATCHER: I want to move an amendment, Mr. Chairman. On page 1 you said:

The subcommittee on procedure and agenda met at 2.00 o'clock this afternoon at the request of Mr. Wright. I want all the words struck out afterwards and to add these words:

That this committee proceed at its regular meeting to deal specifically with an examination of the public accounts.

The CHAIRMAN: You object to the subcommittee reporting to the general committee what happened in a meeting of the subcommittee?

Mr. THATCHER: Not at all, Mr. Chairman. I want to get on to the public accounts.

The CHAIRMAN: You want to strike out the balance of the report?

Mr. THATCHER: That is right.

The CHAIRMAN: You do not want the subcommittee to make a report of what it has done? You may make that motion in any other place, if you want to; but at least let the subcommittee report what it has done. Let the subcommittee report what has been done and then come to another conclusion.

Mr. THATCHER: May I make a motion and speak to it?

The CHAIRMAN: Very well.

Mr. THATCHER: Mr. Chairman, I think there are four reasons why the members, whether they be liberal, conservative, C.C.F., or social credit should

pass that amendment. First, because the main duty of this committee is set out in the order of reference, and it is to examine the public accounts and the Auditor General's report. That was read by Mr. Wright and I think it is quite clear. I think that in discussing Mr. Sellar's memorandum and the estimates, as we have been doing for several weeks, and the estimates of the Department of Agriculture, we are completely out of order.

The CHAIRMAN: It has taken you fifteen meetings to come to that conclusion.

Mr. THATCHER: That is all right. And I think it is very obvious to any member today that if we do not get to public accounts very quickly, we shall not get to them this year. In fact, I think it is the object of the chairman that we do not get to them.

The CHAIRMAN: Mind you: you did not say that when you spoke privately to me the other day. You said: I believe and I trust that you want to work thoroughly. I do not doubt your intentions. You doubt them since Thursday night? I am sorry to have to bring that in.

Mr. THATCHER: You believe it is in the interests of the committee quite legitimately; and you think it would be better advised to bring in a report about something else.

The CHAIRMAN: We have stated that we think our duty is to bring in a report to the House. My own view is that many of the suggestions made by Mr. Sellar are acceptable; others are not. After this has been thrashed out in the committee a report will be tabled in the House. That is the aim I have now—rather than to stop work and go haphazardly from here.

Mr. THATCHER: May I give you my third reason?

Mr. FRASER: Before Mr. Thatcher speaks I would say that it is very, very hard to hear when everyone is talking. I think if members are going to speak they will have to stand up because it is too hard to hear. I am not going to vote on any question unless I know what I am voting on.

Mr. THATCHER: I am going to stand up then. The fourth reason I have for moving the amendment is that I am dissatisfied with the repeated rulings of the chairman, which prevent members from pursuing items which may save money for the taxpayer.

I doubt whether the government has very much to hide in these public accounts but I can tell the chairman that rulings of that kind create a different impression throughout the country. I want to remind him that the Minister of Finance challenged the opposition members to show where savings could be made and I think at the next meeting we should get on with the public accounts.

The CHAIRMAN: And not make a report on the estimates?

Mr. THATCHER: In so far as making a report is concerned, if we can save money for the taxpayers what does it matter whether there are 200 items or 600 items in the estimates.

The CHAIRMAN: The Auditor General is a man whose opinion is valuable; we must study it. We have had fourteen or fifteen meetings and this is not the time to come and say that we should not complete our work.

Mr. THATCHER: We have not started our work yet.

The CHAIRMAN: If this committee brings in a report and suggests that it in future sit on definite days, a minimum number of sittings, and that the estimates are to be brought in a certain fashion, and if we accept some of Mr. Sellar's ideas and not others, we will have done valuable work. The Public Accounts Committee in twenty-one years has sat only six years and of those six years this is only the second time that we have gone to the bottom of the question under discussion.

Mr. JOHNSTON: Since we are going to vote on this I think I had better express my opinion. I am sorry that I was unable to be present at the committee meeting this morning but I had another engagement.

From the argument I have heard I would like Mr. Thatcher's amendment to be made to the end of the committee's report because I do not think we should disregard the report. As far as the amendment is concerned, and considering the order of reference from the House, I think Mr. Thatcher is correct. It is true, as the chairman has pointed out, that in the Auditor General's report there was a reference made to the estimates. In my judgment that does not say that we should confine our proceedings here according to any reference or all references the Auditor General may have made in his report. For instance, if the Auditor General had mentioned the flood situation in Winnipeg, would we have confined our arguments to the floods in Winnipeg?

Definitely the order of reference is that we should deal with the public accounts. Now, I am faced with the problem of whether we should follow the order of reference or whether we should go on with something else. My view is that we should stay to the order of reference and that the efforts of this committee be directed to that end.

The CHAIRMAN: Why did you not bring that up at the first meeting, or in the steering committee?

Mr. JOHNSTON: That is why I say now that I think the amendment should be made at the end of the report. I apologize for not being there this morning but it was impossible for me to attend. However, since I think we will be voting on this, we will have to vote according to the order of reference regardless of what we have done in other meetings, in other years, and on other occasions. I think we are bound to follow the order of reference that was given by the House. As I indicated a moment ago, it is perfectly true that the Auditor General's report does make reference to the estimates. But, just because he made reference to some problem outside of the order of reference does not make it mandatory for us to follow that guidance or that reference?

I would like to see Mr. Thatcher's amendment made to the end of the report and if so I shall support it.

The CHAIRMAN: Just in answer to Mr. Johnston, there is only one word I object to—the word "confined." You say this committee should not confine itself to the study of the estimates; that has never been the intention. If the work had been performed quicker and if we had been out of order for less of the time—and that is no reproach to you, Mr. Johnston—we might have been further on in our work in public accounts.

Mr. JOHNSTON: I am not arguing with you on that point but we are going to have to vote.

The CHAIRMAN: And we are going to have to report to the House.

Mr. RICHARD: Mr. Johnston says that he wants to have Mr. Thatcher's report made at the end, but that is what the subcommittee report says. It says that after dealing with the memoranda tabled by the Auditor General that we should go on to public accounts.

The CHAIRMAN: Perhaps the members would wish me to read the report again.

Some hon. MEMBERS: Yes.

The CHAIRMAN: "The subcommittee discussed a suggestion that the committee defer further consideration of the proposals set forth in the memoranda tabled by the Auditor General respecting a revision in the form in which estimates are presented to the House, and that it proceed directly to an

examination of the public accounts. An alternative suggestion was made to the effect that the whole question of the form of estimates be referred to a subcommittee to be appointed for that purpose.

"Your subcommittee is of the opinion that the study of the memoranda submitted by Mr. Sellar on the form of the estimates and other relevant matters, on which the committee is now engaged, should be concluded and the committee's recommendations reported to the House before any other business is undertaken.

"Your subcommittee, therefore, recommends that the examination of the present witnesses, Dr. Taggart and Mr. Bryce, be concluded and the Comptroller of the Treasury called as the next witness, to be followed by a representative of the Department of Finance to tell us why a change was made in the estimates in 1938 and the underlying reasons and any other witnesses whose presence may have been requested by members during our discussion of Mr. Sellar's memoranda and concerning the latter."

Many other witnesses have been mentioned as possible witnesses, but they are not proposed on questions relevant to the memoranda, and it is considered that they should be limited to the two groups—first the business of the Prices Support Board and second to the Cartierville affair. I think the people of the country would be as interested in those items as in any others, and, if I may say in passing, I do not think that shows that the chairman wants to prevent any light from being thrown on any subject before the committee.

"Your subcommittee also recommends that questioning of these witnesses be strictly confined to the proposals contained in the Auditor General's memoranda of April 27 and May 2.

"Your subcommittee also points out that there are 94 items of the 161 comprising the Auditor General's report still to be dealt with and recommends that these be considered immediately the matter of estimates now under discussion is disposed of."—Those are the items referred to us.

"It was agreed that the question of the order of business to follow the Auditor General's report be decided at the next meeting of the subcommittee."

If my friends of the subcommittee will remember, I suggested that they all, during the coming week, figure out the best possible way in which we could deal with the matter. I asked them whether they thought it would be fair to throw the book on the table and say "Go to it, gentlemen."

Should we not find a way of going by departments or going by functional classes—say travelling expenses for certain departments? I said to them that during the coming week we would carry on with our work and that they might be considering how to deal with this.

Mr. CROLL: What is the amendment?

The CHAIRMAN: That all the words after "subcommittee" in the second paragraph—

Paragraph number one says that we met at 2 o'clock—and the amendment is that all the words after "subcommittee" in the second paragraph in the first line thereof be struck out and the following be substituted:

That this committee proceed afterwards to deal specifically with an examination of the public accounts.

Mr. FLEMING: I am not suggesting to Mr. Thatcher how he ought to put his motion but I do not see how an amendment to a motion for adoption of a report can purport to take all of the words out of the report. It seems to me that all that can be done is to say that the report be not adopted and that this committee do whatever Mr. Thatcher thinks is right.

However, I just want to put this thought forward. I do not yield to anyone in this committee in my desire to get on with the public accounts as quickly as we can. We have spent three quarters of an hour this afternoon in a not too

seemly wrangle about where we are going from here. I urge that we get on as expeditiously as we can with this particular part of our inquiry. We are nearly through with this.

Mr. THATCHER: No, we will not be through this year.

Mr. FLEMING: Well that was certainly not the idea of the steering committee because the steering committee was definitely of the opinion that we would be through with this particular inquiry this week. We talked about the number of hearings required for various witnesses and the next meeting of the steering committee, presumably at the first of the week, is going to do two things; one, to dispose of the question of estimates by submitting an interim report to the House; and secondly, to get on with the matter of the public accounts.

The CHAIRMAN: The Auditor General's report?

Mr. FLEMING: We have these remaining items in the Auditor General's report. Surely we want to get on without undue delay to the items the members desire to ask questions upon in the public accounts.

With all due respect for the desire expressed this afternoon, we want to get on with this as quickly as possible and, I think if we apply ourselves and do not drag out the questioning we can conclude this part of our inquiry. It has gone on quite some time now but I think we can conclude it quickly.

Mr. MAJOR: This is new to me, but, as the gentleman has said, looking at it from a distance, I think we have spent a considerable number of days studying the problem of the estimates and, as we are just about through with them, I do not think that we should cut them out and throw them overboard now. We have been here nearly fifty minutes discussing something that is not getting us anywhere. If the farmers of this country were to lose as much time over their line fences there would be so little production that there would be no one alive in this committee. I think we should get down to the real business of our study and as soon as we have gone through the estimates we can go on to a study of the accounts.

Mr. FRASER: Mr. Chairman, I was in the steering committee meeting today and I understood, in connection with the estimates of the Department of Agriculture, that as soon as we finished we would have other witnesses.

The CHAIRMAN: As soon as we finish with this matter of the agricultural estimates we will have the Comptroller of the Treasury whose presence has been asked for by Mr. Wright, Mr. Macdonnell, and others. Afterwards, the witness may be Mr. McIntyre or Mr. Bryce. We can find out from the deputy minister of finance what the procedure was before 1938 when these changes were brought in, so that we will be in a position to make a decision about the present system; and so that we will also be able to form an opinion about Mr. Sellar's suggestions.

Then, there are the matters of Cartierville and the Support Board.

Mr. FRASER: Just a minute, Mr. Chairman; before we get into Cartierville, we will not have covered the items in the public accounts?

The CHAIRMAN: Well the Cartierville matter has been brought up by Mr. Drew.

Mr. FRASER: We would have that first?

The CHAIRMAN: After the comptroller and, so on. This question was raised by Mr. Drew when we were discussing the memorandum prepared by Mr. Bryce at the request of Mr. Drew to see if we could not agree on a summary to be given at the beginning of the estimates, a summary by functional classifications. That was discussed during two meetings of this committee. At the time Mr. Drew raised doubt about a question and brought the matter before us, and I think we ought to clear it up quickly.

Mr. FRASER: I would like to get into public accounts.

The CHAIRMAN: So would I and so would all of the members.

Mr. FRASER: On account of the wording of Mr. Thatcher's amendment I feel, with Mr. Fleming, that I cannot support it.

Mr. BROWNE: May I say a word? It seems to me you are going now into the report of the Auditor General? I suggest to Mr. Thatcher he might withdraw his motion until we have finished with the report of the Auditor General and then take it up after that.

Mr. THATCHER: I want to say this: I am not particularly worried where that amendment comes in; if you want it at the end of the Auditor General's report, that is all right. We have been in parliament now for three months and the public accounts committee has been sitting for two months, and I think we will continue sitting here without getting to the public accounts. If we can get to the business that has been referred to us by the House, it will be all right with me, but I do not think we are going to get to public accounts this year. Surely, the main job of this committee should be to call two or three departments this year, call them whichever way you want, pick them out of the hat, if you wish, and let us examine them, and let every department be prepared to come before us next year. That should be our business rather than frittering away our time with estimates.

The CHAIRMAN: May I make a suggestion? The last paragraph of this report says this:

It was agreed that the question of the order of business to follow the Auditor General's report be decided at the next meeting of the subcommittee.

What would you say if we struck these words out and replaced them by the following words:

That this committee proceed afterwards to deal specifically with an examination of the public accounts.

Now, I am going as far as I can go to meet your views, Mr. Thatcher, and still remain consistent with what we have done up to now. We say in the last paragraph of the report of the subcommittee that we leave the matter of subsequent work to the subcommittee. Let us withdraw these three lines and let us say as the last paragraph:

That this committee proceed afterwards to deal specifically with an examination of the public accounts.

That would definitely commit the committee, once the present work is finished, to take up public accounts, and, I think, if we want to be consistent—

Mr. THATCHER: I do not think that will get us where we want to go, Mr. Chairman.

Mr. CROLL: Let us have a vote.

Mr. FLEMING: Mr. Chairman, may I say a word? It is understood it is the intention of the committee to proceed forthwith with an examination of the public accounts—

Mr. THATCHER: Was that two months ago?

Mr. FLEMING: The particular ones were not chosen at the meeting today, but it was clearly understood that immediately on the conclusion of the business stated there, which we hope will not take long, we will proceed forthwith to an examination of the public accounts.

The CHAIRMAN: It is to meet that suggestion that I propose to strike the last paragraph of the report of the steering committee.

Some Hon. MEMBERS: Question, question.

Mr. WRIGHT: It will be perfectly clear from the proceedings of this committee from now on as to whether Mr. Thatcher and I are right in thinking that we are not going to get to public accounts this year.

The CHAIRMAN: It all depends on how the committee conducts itself, and confines itself to the business of the day.

Mr. WRIGHT: The proof of the pudding is in the eating.

Mr. THATCHER: When are we going to get there? There is no other meeting of the public accounts committee called for this week.

The CHAIRMAN: We give notices of the subsequent meeting as we go along. For instance, we are intending to have another meeting tomorrow.

The question is on the amendment moved by Mr. Thatcher that would strike out the whole of the report; the amendment is "That all words after the word subcommittee in the first line of the second paragraph thereof be struck out and the following words substituted: That this committee proceed at its next regular meeting to deal specifically with an examination of the public accounts."

Those in favour of that amendment? Those opposed?

I declare the amendment lost.

Now, there is before us a motion made by Mr. Croll that we adopt the report of the sub-committee.

Those in favour? Opposed?

I declare the report adopted.

Now, we have Mr. Taggart as a witness today, to deal with Mr. Sellar's report on the estimates of the Department of Agriculture.

Dr. J. G. Taggart, Deputy Minister of Agriculture, recalled:

The CHAIRMAN: We had reached item No. 3. I will at the same time, call Mr. Bryce to sit beside Mr. Taggart.

Now, gentlemen, the question is on item 3, page 3 of the memorandum of Mr. Sellar on Agriculture estimates.

3. Vote 12, "Plant Protection \$731,705", is in a somewhat different category. The Public Accounts (page A-14) state it is required for "the enforcement of the Destructive Insect and Pest Act". It is suggested that the text be changed to read:

To provide for the administration of the Destructive			
Insect and Pest Act, c. 47, R.S., and amend-			
ments thereto; but charges shall not exceed			
\$	for paylist charges		\$

Are there any questions to the witness?

Mr. CROLL: No questions.

The CHAIRMAN: Item No. 3.

Carried.

Item No. 4: the pooling of three votes in the estimates concerning experimental farms service administration, central experimental farm and branch farms and stations,

4. The votes reading:

13. Experimental Farms Service Administration	\$ 129,780
14. Central Experimental Farm	1,868,118
15. Branch farms and stations and illustration stations	5,977,447

stem from the Experimental Farm Stations Act, c. 61, R.S., as amended. The three votes collectively provide for such things as:

Salaries and wages	\$ 4,263,034
Acquisition or construction of buildings and works	1,807,349
Acquisition of equipment	493,369
Supplies and materials	432,706
Printing and stationery, etc.	237,925
Travel expenses	237,720
Feed, freight, cartage, etc.	236,180

The printed details require to be supplemented by taking notice of a sub-head in the printed details to Vote 303 (Public Works):

Experimental Farms and Science Laboratories— replacements, repairs and improvements to buildings	\$ 500,000
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In the main, this sub-head is administered by Agriculture.

Any questions?

Carried.

Item No. 5.

5. It is suggested that the provision for construction be transferred to a works' vote and the votes then consolidated to read:

To provide for administration and operation of farms for the purposes of Experimental Farm Stations Act, c. 61, R.S., as amended, but charges shall not exceed \$ for playst charges	\$
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The details would be made more illuminating by developing material identifying the farms and giving financial information respecting their operations.

Mr. WRIGHT: We brought Mr. Taggart here to give the committee his opinion on these items, and I would like to hear his opinion.

The CHAIRMAN: It is up to you to ask questions of him, then, on any of these items. It was moved by Mr. Drew the other day that the logical way to deal with Mr. Taggart was to ask him his opinion on each of the items as we went along.

Mr. WRIGHT: Do not make a speech. All I want to do is to ask him to express his opinion on this item. I am asking that for every one of us present. We are on item No. 5, are we not?

The CHAIRMAN: We are on item No. 5. Do you care to express an opinion for us on it, Mr. Taggart?

Mr. WRIGHT: You do not need to read it to him, Mr. Chairman.

The CHAIRMAN: He can read it himself.

Mr. WRIGHT: I presume he read the report before he came here.

The WITNESS: Item No. 5 is to suggest that the provision for construction be transferred to a works' vote, and the votes then consolidated into one.

That would offer no difficulty in administration from the viewpoint of the department, and it would not materially change the present practice as far as I can understand it.

Mr. WRIGHT: That is what I wanted, Mr. Taggart's opinion.

The CHAIRMAN: Item No. 5?

Carried.

Item No. 6.

6. Votes 17 and 18 are:

Health of Animals

17. Administration of Animal Contagious Diseases Act and Meat and Canned Foods Act.....	\$3,661,965
18. Compensation for animals slaughtered.....	1,091,292

These could be consolidated into one vote:

To provide for the administration of the Animal Contagious Diseases Act, c. 6, R.S., as amended, and the Meat and Canned Foods Act, c. 77, R.S., as amended, but charges shall not exceed \$ for paylist charges

The CHAIRMAN: Mr. Taggart, have you any views to express on that item?

Mr. ROBINSON: Mr. Chairman, what do you mean by "carried"? Are we giving approval by using the word "carried"? What you really mean is that there are no questions on that item?

The CHAIRMAN: That is to show that we have reviewed this item and the discussion is over and we are passing on to the next item.

By Mr. Thatcher:

Q. What does Mr. Taggart think of this item?—A. Administratively there would be no difficulty in consolidating the two votes into one.

Q. What would be the advantage?—A. No advantage.

Q. You would be neither for nor against?—A. It makes no difference to the department.

The CHAIRMAN: Any further questions on item No. 6?

Item No. 7.

7. There are two votes which involve general administration and also the administration of the Live Stock and Live Stock Products Act and the Live Stock Pedigree Act. They are:

Production Service

19. Live Stock and Poultry.....	\$1,342,738
Marketing Service	

28. Live Stock and Live Stock Products..... 1,204,012

They are now separate votes, perhaps because a different director is responsible for the administration of each. However, the grant is not to a director, but to the Crown, and a division of the money can be controlled by section 26 of the Consolidated Revenue and Audit Act 1931. Four-fifths of the total is for salaries and travel expenses. Departmental convenience is here of concern;

but from the accounting viewpoint, application would be simplified were they consolidated to read:

To provide for the administration of the Live Stock and Live Stock Products Act, 1939, and of the Live Stock Pedigree Act, c. 49, 1932, and for other services relating to Live Stock, but charges shall not exceed \$ for paylist charges.....\$

Mr JOHNSTON: Would Mr. Taggart's view be the same on item No. 7?

The WITNESS: No, Mr. Chairman; if I may express a view, those votes are set up according to administrative divisions in the department and if the two votes were thrown into one it would cause considerable work in unscrambling the vote after it was passed. If that was decided we could do the work but it would not be very profitable work.

The CHAIRMAN: Item No. 8.

8. The text of vote 20 is:

Plant Products

Seeds, Feeds, Fertilizers, and Fungicides Control,
including grant of \$40,000 to Canadian Seed
Growers' Association \$1,261,533

It is suggested that the \$40,000 grant be transferred to the vote next suggested and the text changed to read:

To provide for the administration of the Seeds Act, c. 40, 1937, as amended, Feeding Stuffs Act, c. 30, 1937, as amended, Fertilizers Act, c. 69, R.S., as amended, Pest Control Products Act, c. 21, 1939, Inspection and Sales Act, c. 32, 1938, as amended, and the Hay and Straw Inspection Act, c. 26, 1932-33, and for other allied services; but charges shall not exceed \$..... for paylist charges.. \$

Mr. WRIGHT: I would like you to ask for Mr. Taggart's opinion on that, Mr. Chairman.

The CHAIRMAN: Well, say so. You have reproached me for speaking too much. If you want Mr. Taggart's opinion, ask him.

The WITNESS: No. 8. The suggestion is that vote No. 20 be attached specifically to the legislation that is enforced by that division. The only disadvantage in following that from the point of view of the department would be that the Plant Products Division which administers all of these acts, also does other work of a related nature, some of which is not based directly on this legislation. If the vote were based purely on the related legislation, then we would probably have to provide elsewhere for other functions discharged by that branch, and that again would be to add to administration and create difficulty, but it could be done. However, I do not see any good reason for doing it that way.

Mr. THATCHER: You cannot see any advantage to it?

The WITNESS: No, we cannot, from our point of view.

The CHAIRMAN: Is that all on item No. 8.

Item No. 9.

9. There are three votes for donations and contributions:

4. Contributions to Commonwealth Bureaux....\$ 56,821

21. Grants to Fairs and Exhibitions, under such terms and conditions as may be approved by the Governor in Council and subject to allocation by the Treasury Board	536,400
22. Grants to Agricultural Organizations, as detailed in the Estimates.....	44,500

In addition, there are the grants such as set out in Votes 20 and 27, as well as those listed in the details (see pages 85 and 86, for example). These could be brought together with the three votes and presented in a consolidated vote:

To provide authority to make grants to Commonwealth Bureaux, Agricultural Organizations, Canadian exhibitions and fairs, etc.. as listed in the details of the Estimates; such grants to be subject to such terms and conditions as may be approved by the governor in Council	\$
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The details would necessarily be set out in a way to meet the requirements of the vote's text.

Mr. WRIGHT: Mr. Chairman, through you, again, I would ask the witness his opinion on that item. Has he any objection to item No. 9?

The WITNESS: We would be inclined to object to the recommendation here because our grant to the Commonwealth Bureaux is one that is based on an agreement among the commonwealth countries that support these bureaux, the chief job of which is to abstract scientific literature and to supply the abstracts to scientific workers. It is quite a technical job. In my opinion it would be desirable to keep them separate. If the grant to the bureaux was mixed with those other grants we could pick it out and pay it separately but it seems confusing to list grants to that kind of an organization with grants to fairs and exhibitions and other such bodies. It seems a clearer statement of the intention to say that there is so much money for fairs and exhibitions and so much for other organizations rather than rolling them all into a single vote.

By Mr. Johnston:

Q. If they were all rolled into a single vote would it leave you a greater latitude than it does now?—A. Presumably you could switch funds from grants to the bureaux to grants for an agricultural fair at Melfort, for instance.

Q. And you think that would not be advisable?—A. It might be legally possible, but probably it could not be done or would not be done.

The CHAIRMAN: Item No. 9?

Item No. 10.

10. Vote 25, "Dairy Products \$654,876", is a salary vote made necessary by the Dairy Industry Act. The text might read:

To provide for the administration of the Dairy Industry Act, c. 45, R.S., as amended, but charges shall not exceed \$ for paylist charges

\$

The details would be similar to those of other votes which are administrative in nature.

Mr. THATCHER: Has Mr. Taggart any comments to make on No. 10?

The WITNESS: I have the same comment to make on that as I made with respect to item No. 8. The entire work of the dairy products division is not based on the Dairy Products Act; it does other work based on general depart-

mental operations, and a segregation of those votes into two or three different votes would add to administrative difficulty and cause confusion, and would tend, in some cases, to obscure the real purpose of the vote.

The CHAIRMAN: Any further questions on item No. 10?

Item No. 11.

11. Two votes which have much in common are:

26. Subsidies for cold storage warehouses under the Cold Storage Act, and grants, in the amounts detailed in the Estimates \$644,159
35. To provide for assistance to encourage the improvement of cheese and cheese factories \$1,400,000.

Vote 35 is regulated by the Cheese and Cheese Factory Improvement Act. Sometimes payments under Vote 26 do not qualify under the text of the Cold Storage Act, therefore they are not paid as statutory subsidies, but as grants. These could be consolidated into one:

To provide for the payment of subsidies, premiums and grants made under the authority of the Cold Storage Act, c. 25, R.S., and the Cheese and Cheese Factory Improvement Act, c. 13, 1939, as amended, and to make grants for the purposes of the Cold Storage Act in the amount detailed in the Estimates \$

The details should, of course, state the reasons why exceptions are being made.

Mr. THATCHER: How would that 26 and 35 be in here, Mr. Chairman. I don't quite follow that.

The WITNESS: They are different things, Mr. Chairman. All the subsidies paid for cold storage warehouses have been in effect for a long time. I don't remember the date they first came in, but I think it is 1907.

Mr. BENIDICKSON: Do you agree with his basic statement there that the two votes should be bunched together in one?

The WITNESS: No, they have very little in common in my opinion. One is specifically directed toward the improvement of cheese and cheese factories while the other one is a general provision to assist in the construction of cold storage warehouses for the handling or storing of all kinds of products.

Mr. THATCHER: It is your opinion, then, that they should be kept separate?

The WITNESS: That is my opinion, yes.

By Mr. Johnston:

Q. May I ask you a question about No. 10, where he suggests that there be so much for one item and so much for the paylist charges. Can you tell me whether that is better that way? Has it been the custom to transfer moneys from items to salaries?—A. Within the vote, it is legally possible with the approval of Treasury Board to transfer from one suballotment, or from one allotment to another allotment—these allotments are bookkeeping items that are set up after the estimates are passed.

Q. If you had Mr. Sellar's plan you think that would be impossible?—A. If Mr. Sellar's plan were adopted with respect to that particular point salaries and wages within the estimates would not be transferable, we could not transfer any amount in excess of that already provided.

Q. Apparently that has been done up until now, therefore Mr. Sellar is objecting to it; is that it?—A. I think Mr. Bryce explained that point at the last meeting of the committee, Mr. Chairman. Mr. Sellar's objection there is based on a section of the Civil Service Act, I think it is section 42.

The CHAIRMAN: I think, Mr. Johnston, your question is one which should be directed to Mr. Bryce.

Mr. JOHNSTON: I think Mr. Bryce did answer it, but I was trying to get Mr. Taggart to tell me his views on that.

The CHAIRMAN: Any further questions on 10 or 11?

Item 12:

12. Another group of votes with a common purpose is:

27. Fruit, Vegetables and Maple Products, and Honey, including grant of \$5,000 to Canadian Horticultural Council	\$989,000
36. To provide assistance for the replacement of maple production equipment	500,000
38. For assistance in construction of potato warehouses under regulations to be approved by the Governor in Council	100,000

These could be consolidated into one, but presumably limitations as to amounts should be kept, so the text might read:

To provide for the administration of the Fruit, Vegetables and Honey Act, c. 62, 1935, and of the Maple Sugar Industry Act, c. 30, 1930, and for other allied services, and to provide assistance for replacing maple production equipment and in constructing potato warehouses, such assistance to be subject to such regulations as the Governor in Council may approve; but charges shall not exceed:

\$	for paylist charges
500,000	for replacing maple production equipment, nor
100,000	for constructing potato warehouses

Details, in addition to the usual information re staff, travel expenses, etc., should set out the proposed scale of assistance for the equipment and warehouses.

Mr. JOHNSTON: No. 12. This likely would be for Mr. Bryce, but I wonder if he would explain the item there "for paylist charges, \$500,000 for replacing maple production equipment, nor \$100,000 for constructing potato warehouses". Why would Mr. Sellar put that in there?

Mr. BRYCE: Well, sir, I assume that Mr. Sellar put that in there to achieve the purpose stated of limiting the expenditure within vote. In this suggestion for the wording in consolidating the votes there, he is endeavouring to avoid giving enough latitude to use this money generally for increasing the amount spent in salaries or for using the subsidy for replacing maple production equipment or the construction of potato warehouses.

Mr. JOHNSTON: He is absolutely stating the basic charges in the estimates, is that why?

Mr. BRYCE: Yes sir.

Mr. CAVERS: Then he has consolidated the \$5,000 grant to the Canadian Horticultural Council in with the vegetables and maple products and honey.

Mr. CROLL: There is another memorandum on that.

The CHAIRMAN: May I ask a question? I would like to know Mr. Taggart's opinion. At the bottom of page 6, item 12, the item which is under consideration,

where he agrees with you, I see that Mr. Sellar indicates that paylist charges for replacing maple production equipment shall not exceed \$500,000, that that is guaranteed by the vote.

The WITNESS: That is in the estimates as they stand now. That specific amount is for that particular purpose today, and we cannot exceed it.

The CHAIRMAN: So that it really means nothing, it makes no difference.

Mr. FRASER: If you were to adopt Mr. Sellar's proposal you would have to change it and you would put in the estimates either \$600,000 or \$400,000, and in that case it could not be changed, but the paylist and wages would be left.

The CHAIRMAN: The paylist and wages, if I might say so, Mr. Fraser, would change from year to year, they could be changed.

Mr. FRASER: That would be defined within the estimates and that is what we would be bound by; you could not overstep it.

The CHAIRMAN: Under this proposal the item would be limited to \$500,000 which would apply to paylist charges.

Mr. BROWNE: They could not offer it as is the case now.

The CHAIRMAN: That is why we gain nothing and we lose nothing by this.

Mr. BENIDICKSON: Does Mr. Taggart think that members of parliament would have a better conception of what is involved in this by accepting Mr. Sellar's recommendation?

The WITNESS: From the departmental point of view we think of these in terms of duty or purpose or interest we are to serve, but we do not think at the same time of maple syrup and potato warehouses, and we therefore provide for them separately through a system of departmental units; so from that point of view it seems logical to lump two such unlike items together, and we supposed that perhaps members of parliament might see that in the same way we do, although we do not know that.

Mr. CROLL: I think you are quite right, one usually would not lump maple products and potato warehousing together.

Mr. FULFORD: On this particular item is there any way of getting information as to whether this money goes to any province outside of Quebec? I see the only province indicated on the list is Quebec, and I was wondering what the situation was with respect to the other provinces, whether they are being looked after in respect of maple products?

The WITNESS: Yes, it is available to other provinces who qualify. In order to qualify for this payment the province must first pay and submit proof of payment and we reimburse the province.

Mr. MAJOR: That would pay for the replacement of the lead equipment.

The WITNESS: Yes.

Mr. CROLL: Do the other provinces ever get any money out of it?

Mr. FULFORD: That is what I was getting at; the other provinces apparently don't get any direct advantage of this grant.

The WITNESS: The main reason for that I think, Mr. Chairman, is that the maple sugar producers in Quebec are practically the only exporters who are affected by this lead content. The other provinces are not exporters and therefore are not directly affected.

Mr. BENIDICKSON: Mr. Chairman, I don't want to spoil this questioning but the suggestion has been made that it is not in order at this time. I feel that it is the kind of questioning which is going on now which has caused so much delay in the proceedings of the committee. I think that we should confine

ourselves to a discussion of the form of the estimates. Had we done that before I think we would not find ourselves in the position we find ourselves in today. I think we should confine ourselves strictly to the form of the estimates.

Mr. FULFORD: I agree with Mr. Benidickson. I let my curiosity get the better of me.

Mr. BENIDICKSON: We have all been doing that and that is why we have taken so long to discuss this item of the form of the estimates. After all, we are only examining the estimates from the point of view of the estimates being based on the form of our public accounts, and any question pertaining to that is relevant.

The CHAIRMAN: That is right.

Mr. BENIDICKSON: While I am speaking I would also like to point out that this thing is quite properly in front of us as it is referred to in the Auditor General's report, the last paragraph at the end of page 1 of his report.

Mr. FRASER: That is right, Mr. Chairman; we are not allowed to refer at this time to questions of expenditure.

The CHAIRMAN: No, not if it is a matter pertaining to the public accounts; we are just on this recommendation of the Auditor General.

Mr. FRASER: Well, Mr. Chairman, if Mr. Benidickson had not taken an objection I was going to, because I tried to get some information out of the witness in regard to No. 3, on information services and publicity and one thing or another and I wasn't allowed to do.

The CHAIRMAN: I admit quite frankly to both Mr. Benidickson and Mr. Fraser that Mr. Fulford was out of order, but because it was his first offence I let him go a little further than I perhaps should have.

Item 13:

13. No change is suggested in the following votes because they are not regarded as being long-term policies:

30. Freight Assistance on western feed grains	\$5,000,000
31. Agricultural Lime assistance	435,000
33. Meat Board, including quality premiums on A and B1 grade hog carcasses	5,854,633

Details should explain the purposes, policies, etc., of each.

Item 14:

14. No material change is suggested in Vote 37, "Agricultural Products Act", but explanatory details should be provided.

Mr. FRASER: May I ask Mr. Taggart if he has any comment on this item?

The WITNESS: There is no change suggested from the present practice so I have no comment.

The CHAIRMAN: Item 15:

15. Votes 39 and 40 both come within the ambit of the Prairie Farm Rehabilitation Act. They read:

39. Prairie Farm Rehabilitation Act and Water Storage	\$3,750,000
40. Major Irrigation and water conservation projects in the Prairie Provinces	7,719,500

Some activities are producing substantial revenues (for example, in 1948-49 community pastures produced \$175,917). These could be consolidated under a text reading:

To provide for the administration of the Prairie Farm Rehabilitation Act, c.23, 1935, as amended, and operation of projects and for works projects as set out in the details of the Estimates:..... \$

The details should be descriptive of existing projects, as well as of new undertakings.

Mr. THATCHER: I have a question there, Mr. Chairman, relating to the form of the estimate which is for \$3,750,000. Is there any reason why in that form we could not have a payroll estimate; and the same questions apply to item 16.

Mr. CROLL: Item 16 does not suggest payroll.

Mr. FRASER: No, it only provides for salaries.

Mr. THATCHER: You have the same thing there in both 16 and 15. If provision was made there for salaries and wages I think that would prevent juggling, may I say, and I want to know how much is for materials and how much for salaries, and is there any way of showing salaries and wages separately?

The CHAIRMAN: I would not want to offend you by saying that you are an expert at juggling, Mr. Thatcher.

By Mr. Thatcher:

Q. I want to ask Mr. Taggart if that could be done?—A. Quite possibly. The breakdown for that would be found in the detail in the back of the estimates book.

Q. Can you show me the amount we are spending for salaries?—A. I had not completed what I had intended to say.

Q. I am sorry.—A. It is possible to break that item down to show salaries, wages, freight, telegraph and so on, on the so-called functional classifications. It is also possible to break it down according to projects. If you will look at the Auditor General's report for 1948/49 you will find it broken down by both methods at page A-31 for salaries and wages on page A-32, projects. Wages can be used for the acquisition of works so it is classified in both ways in the report.

Q. Excuse me. I don't want to disagree with you, Mr. Taggart; but on page A-31, as I recall it, you have got the estimates and then you have the expenditures; broken down, it is true enough; but we are talking about the estimates, as I understand it, and there is no place where it is broken down in the estimates in your blue estimate book, in this book here; you just have this vote figure of \$3,750,000, and I want some figure put in there to limit the salaries.—A. Mr. Chairman, I pointed out in my written submission that it is somewhat difficult to give a breakdown of the estimates in the detail part of the book by two different methods, unless you want to prepare two separate books.

The CHAIRMAN: May I say there, Mr. Thatcher—and I am indebted to Mr. Browne for this—that on page 96 you have a breakdown of the items where you see item 39, which appears on page 6. Thank you for that, Mr. Browne.

Mr. THATCHER: I am sorry, Mr. Chairman, I don't just follow that. Where do you show the salaries?

The CHAIRMAN: No, no, the detail for the \$3,750,000.

Mr. THATCHER: I know, but in 16 Mr. Sellar makes the suggestion that the maximum for salaries be inserted, and I want to know if it would not be possible to do the same thing in 15 for the P. F. R. A.?

The CHAIRMAN: No, he has an item here for headquarters, for the administration of the whole thing.

By Mr. Thatcher:

Q. That is what I want to get at. Of this amount of \$3,750,000, how much is salaries and wages? I want to know if that can be shown?—A. There would be no difficulty in doing that from a departmental point of view, Mr. Chairman. We do provide for salaries in that amount—

Q. But I want to include salaries and wages.—A. But if you include wages it would cause us, or might on some occasions cause us considerable difficulty. Sometimes we have had difficulty in getting contractors to bid on a job that had to be done, or bids were regarded as being too high. In some cases where that happens we undertake to do the work by acquiring or hiring equipment and hiring men. Now, when we do it by that method, because manpower would then be classified as wages, whereas actually the wages paid in that kind of enterprise also includes equipment and works. If you were restricted in wages to labour employed on the projects, if you were to hold strictly to that, then we could include that in this item, and that method of classification is not only possible but is actually being followed.

Mr. THATCHER: I can see the difficulty, Mr. Chairman, but I would like the vote to include that. I do not suggest that there is anything wrong in this procedure but it is one that I do not like to follow. I think it can be afforded in this vote 39 in the future; and I think that if we decide to give men salaries and wages that parliament should vote money for that purpose to the P.F.R.A.

The CHAIRMAN: We do it that way now, as the witness explained, except for wages.

By Mr. Fraser:

Q. I would like to know if it can be done.—A. As I said, Mr. Chairman, it can be done but it would or might in some instances seriously hamper the work, and for that reason we recommend against it.

Q. How would it hamper the work?—A. As I tried to explain, Mr. Chairman, in some circumstances we found it impossible in advertising to get bids or let contracts for the construction of a project and in such circumstances we could go ahead and do the work ourselves using our own equipment or hiring it and using our own men. That limitation on wages would stop that sort of construction from being carried on. In 1948, for example, we experienced great difficulty in getting contractors to undertake small water developments. Many of the contractors who might normally do that kind of work were engaged in bigger projects elsewhere and we could not get them. Consequently, in order to avoid our work being stopped altogether, we hired or bought equipment, and then hired the men and paid for the supplies and materials and constructed the projects ourselves. If we had not been able to do that, our work would have either been stopped or seriously reduced that year.

Q. How much equipment did you purchase for this type of work?—A. I cannot tell you off hand. We have a complete inventory of the equipment, which could be produced.

The CHAIRMAN: Again we are leaving the question of principles.

By Mr. Wright:

Q. It is a question of how we are going to break down this vote; and unless we can get some of the details, I do not know how we can determine whether or not the principle be right. We are trying to determine what equipment the department might have, because if they have it, they could use it rather than to let contracts.—A. I could produce an inventory of it on short notice.

By Mr. Browne:

Q. I do not know if I am out of order, but I have brought along the 1949-50 book giving the 1948-49 estimates; and the witness has referred to page A-31; but I can find no comparison between what is stated in the estimates and what is shown in this book of estimates; the figures are dissimilar. I wonder if the witness can reconcile that difference? These do not compare with what is on page A-31.—A. That is for a different year.

Q. That one is; but this one is for 1948-49.—A. As I understand it, I believe that the public accounts are finally published in the same classification in which they appear in the details of the estimates for that year.

Q. That is the way it is given there.

By Mr. Croll:

Q. Possibly Mr. Bryce is able to answer the question.—A. We have one year for the public accounts and the other year for the estimates.

Mr. BRYCE: The thing which would be relevant would be the estimates for the year 1948-49, and I did not bring them with me. I am sorry.

Mr. BROWNE: What about the appropriation?

Mr. BRYCE: The Appropriation Act would not divide the \$3 million total into the detail with which the comparison is made.

Mr. BROWNE: This large amount seemed to be out of proportion for 1949-50, and 1950-51; there seemed to be no semblance between the public accounts and the book called "Estimates".

Mr. BRYCE: Perhaps we could send for the estimates for the year 1948-49; I think that would shed some light on it, and we might return to it at the end of Mr. Taggart's memorandum.

Mr. THATCHER: I think the crux of the matter is that no matter what party is in power—this is not a political matter—the form of these estimates, item 39, is a dangerous one, if all we do is to vote a total and the payrolls may be doubled or halved and construction work juggled around in a similar way.

The CHAIRMAN: Ask your question.

Mr. THATCHER: Would it not be possible when this vote is made to have a salary maximum as suggested by Mr. Sellar? Mr. Sellar must have thought it was dangerous, because in connection with P.F.R.A. he made such a suggestion.

Mr. ROBERTSON: He answered that question three times, to my knowledge.

Mr. THATCHER: I am sorry. Perhaps the hon. member is a little smarter than I am.

The WITNESS: Am I expected to answer it further?

The CHAIRMAN: Yes.

Mr. THATCHER: Will he do that next year, and show the thing in a different way?

The CHAIRMAN: You should not ask him if he will do it next year. You can ask him if he thinks it advisable, or if he thinks it could be done. There is a ministerial responsibility involved. He can tell you whether or not he thinks it is all right. Your question is all right if it is directed to the witness in his proper capacity.

Mr. CROLL: Let us get on to the next item, Mr. Chairman.

The CHAIRMAN: You are satisfied with the answer, Mr. Thatcher?

Mr. THATCHER: Yes.

The CHAIRMAN: Item 16 "The only change suggested is to insert a maximum for salaries". Are there any questions?

16. Vote 41 now reads:

41. Prairie Farm Assistance Act Administration	\$	500,000
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The only change suggested is to insert a maximum for salaries.

By Mr. Johnston:

Q. I would like to have Mr. Taggart's view on that. Do you agree there with Mr. Sellar?—A. This suggestion, I take it, as far as I can see, applies to all the votes. The experimental farm votes, for example, in our current estimates No. 13, "Experimental Farms Service Administration", and No. 14, show "Central Experimental Farm", and No. 15 "Branch Farms . . ." salaries, wages, materials, and all the other things are included in that one vote. The situation is exactly the same as it is with the P.F.R.A. If it is decided that in each vote there should be included a maximum for salaries, that will be the maximum for salaries as far as the department is concerned.

Q. Do you envisage salaries as including wages?—A. If that phrase also includes wages for casual labour, it would probably seriously hamper the operations of the department in some divisions.

By Mr. Fraser:

Q. When you speak of hampering the department you mean your salaries for civil service and temporaries. You have an idea of what they are?—A. Yes, sir.

Q. Whereas, in the case of wages, you would not have a cushion to put them on?—A. In practice we must vary the expenditure for casual labour in conformity with the needs of the operation.

Q. Some departments have "casual and other labour" in their estimates. But you have to figure out what your casual and other labour would be; and you feel that you could not, on projects of this kind, from what I got from you before, figure out just what they would be?—A. That is my view of it at the moment; because seasonal conditions so greatly influence the work, and we think it would be very difficult to forecast exactly how much money should be spent for wages in respect to constructional and operational projects.

Q. I think Mr. Bryce said before that the practice at the present time is that they can go to the Treasury Board and get permission to take funds out of some other section. If Mr. Sellar's idea were carried out, they could not go to the Treasury Board to get those wages. Is that the way you understand it?—A. I understand that we could still do so because I understand Mr. Sellar's suggestion to apply to permanent and temporary employees as usually classified by the Commission, but not to apply to casual wages.

Q. You feel that it is only the temporary and permanents who are tied?—A. That is my understanding. Perhaps Mr. Bryce could deal with this question further.

Mr. BRYCE: If I may answer that point, Mr. Chairman, I think one has got to interpret what Mr. Sellar had in mind, which is rather hazardous; but since he used the phraseology "paylist charges", I think he must intend to include wages and similar costs as well as salaries. That is the assumption in paragraph 16. He was speaking rather loosely in terms of that.

By Mr. Wright:

Q. I would agree with the witness in regard to the allocating of money for temporary and permanent employees, and that it could be done under P.F.R.A. And I agree with Mr. Sellar that when it comes to allocating a specific amount of money for these projects, he cannot determine what those wages may be from year to year, and that that fact would have to be left open to the judgment of the department during the year. But I do think there should be some estimate given as to the approximate maximum amount that the department thinks would be necessary for casual wages and labour during a season. I think the Act has been in operation long enough now so that the department should be able pretty well to determine the maximum that they might need during any season. Do you think that would be possible, Mr. Taggart?—A. It would be most difficult with P.F.R.A. It would be more useful possibly for our scientific services, for example, which are running on a much more stable basis. In regard to the seasonal influence there would be more difficulty in that approach with respect to the experimental farms, because their supply of labour must vary with the seasons and the work. The more closely your work is influenced by the seasons, the more difficult it would be to forecast what your wages would be, if wages are made to mean all the money spent to acquire workers and buildings.

The CHAIRMAN: Are you through on this item, Mr. Fraser?

By Mr. Fraser:

Q. May I ask another question: in your department, you do list "casual" as well?—A. Yes.

Q. But that is only in certain branches?—A. Mainly in the long established branches, what we call the regular departmental services, and especially those which have to do with the administration of law such as the Plant Products Division. There is little variation in their staff from year to year. But under P.F.R.A., if we have to undertake construction on our own, rather than by contract, there is quite a difference in the amount of labour required.

Q. In your department I only see, in looking through the details so far, one place where "casuals" are mentioned; and I just wondered if there were others?

Mr. BENIDICKSON: I think it is referred to at page 97 under "Prairie Farm Assistance Act", and also under "Land Protection, Reclamation and Development".

Mr. FRASER: Yes; and it is also under another special Act.

Mr. BENIDICKSON: In previous evidence we have heard that they have to resort to this at the Farm here in Ottawa.

Mr. BROWNE: In the 1948-49 estimates which Mr. Bryce has in front of him now there was a different arrangement of estimates which he can explain, and which ought to be of interest to Mr. Thatcher.

Mr. BRYCE: The allotments are primarily divisions of the vote as put in the details of the estimates for the Prairie Farm Rehabilitation Act; in 1948-49 it followed the arrangement which is reflected in the public accounts figures for that year. In order to show more clearly the nature of the projects and the purposes for which these moneys were being expended, it was changed in the estimates for the following year, 1949-50, to something more similar to what it is in this current year 1950-51 which is under discussion. Whereas in 1948-49 there was an amount estimated for salaries and wages in total, that was not the case in subsequent years. Experience indicated the sort of point the Deputy Minister of Agriculture was making, that is, giving definite information in advance on how much would be done by contractors and how much by hiring labour. It was more feasible and useful to give the sort of details given in these current estimates than what was given in 1948-49.

Mr. BROWNE: Who decided to change the form of the estimates? Does Mr. Taggart know anything about it? It is completely changed here?

The WITNESS: My knowledge is only second hand; I was not the deputy minister at that time. I think it was done between the deputy minister and the Treasury Board.

Mr. BRYCE: I know that it was done by discussion between the department and the Treasury Board. The Board was anxious to get a more meaningful type of division to explain the vote and a more meaningful division to follow the course of the program through the year. I cannot just tell you offhand what the responsibility was between the department and the Minister of Agriculture on one hand and the Treasury Board on the other, but I know we had discussions with them at the time about improving the arrangement of the details in this vote. It was done for two purposes: first, to give a clearer picture to parliament of the intention of the expenditure; and, secondly, to give to the Treasury Board a more sensible method of control over any re-allotments that had to be made through the year.

The CHAIRMAN: Are there any further questions on 16?

Then we come to No. 17.

17. Votes 42 and 43 are works' votes. One is administered by P.F.R.A. staff, but as it is not strictly for the purposes of that Act it may be listed separately. The votes read:

42. Land protection, reclamation and development in British Columbia under such terms and conditions as may be approved by the Governor in Council	\$900,000
43. Land protection and reclamation, clearing and settlement of new lands under such terms and conditions as may be approved by the Governor in Council	200,000

Reference has already been made to provision in various details of votes for "acquisition and construction of buildings and works", and to the \$500,000 for experimental farms and laboratories in Vote 303, Public Works. All of these works projects might be consolidated into a vote, or votes, using whatever style is employed for works' votes of Public Works.

Mr. WRINKLER: Would Mr. Taggart give his opinion on this recommendation in No. 17, that the votes may be listed separately?

The WITNESS: I am not sure that the Auditor General recommends that we consolidate. I think he recommends that we continue as we are. I think the point here is that he suggests the inclusion of this in the same style as vote 303—Public Works—which lists the projects in some detail. As Mr. Bryce has just pointed out that practice has been adopted to some extent in the P.F.R.A. now.

The CHAIRMAN: Are there any further questions on 17?

The next is No. 18.

18. Vote 44 reads:

44. Maritime Marshland Rehabilitation Act \$991,120

It is essentially for works undertakings, but the text of the Act makes the works distinguishable from those discussed in the previous paragraph. No change is suggested.

Are there any questions?

Are you satisfied, gentlemen, that we are through with the Deputy Minister of Agriculture?

Before we pass to another order of business have you any questions to ask from the witnesses?

Then, according to what the subcommittee agreed, the next witness shall be the Comptroller of the Treasury. I think that it will be in order if we call him for tomorrow morning at 11 o'clock.

Mr. THATCHER: What line are you going to pursue with the Comptroller of the Treasury?

The CHAIRMAN: We have sent the Comptroller of the Treasury Mr. Sellar's memorandum; we have sent him a copy of the evidence given up to now; and I understand that he will come to us with a brief or a summary of his opinions. Then we may ask questions of him on his brief and on Mr. Sellar's brief on the estimates. If we can finish that tomorrow we will be able to go on to something else.

The committee adjourned.

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Standing Committee in 1950

SESSION 1950

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HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

TUESDAY, MAY 23, 1950

WITNESSES:

Mr. B. G. McIntyre, Comptroller of the Treasury; Mr. R. B. Bryce,
Assistant Deputy Minister of Finance.

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MINUTES OF PROCEEDINGS

TUESDAY, May 23, 1950.

The Standing Committee on Public Accounts met at 11 o'clock a.m., the Chairman, Mr. L. Phillippe Picard, presiding.

Members present: Messrs. Boisvert, Browne (*St. John's West*), Cauchon, Croll, Cruickshank, Drew, Fleming, Fraser, Gauthier (*Portneuf*), Johnston, Kirk (*Antigonish-Guysborough*), Macdonnell, Major, Picard, Pinard, Richard (*Ottawa East*), Riley, Sinclair, Thatcher, Winkler.

In attendance: Mr. B. G. McIntyre, Comptroller of the Treasury; Mr. R. B. Bryce, Assistant Deputy Minister of Finance.

The Committee resumed consideration of memoranda tabled by Mr. Watson Sellar, Auditor General, on April 27 and May 2, respecting the preparation of the estimates and a suggested draft of the estimates for the Department of Agriculture.

Mr. McIntyre was called, heard and questioned.

It was agreed that a statement presented to the Standing Committee on External Affairs by the Hon. Lester B. Pearson, Secretary of State for External Affairs, on May 4, 1950, respecting Item 67 of the Estimates for 1950-51, be reprinted as *Appendix A* to this day's minutes of proceedings and evidence.

Mr. Bryce was recalled and questioned.

Mr. McIntyre tabled a copy of Order in Council P.C. 830, dated April 15, 1937, respecting a revision in the form of the estimates, which is printed as *Appendix B* to this day's minutes of proceedings and evidence.

The witnesses retired.

At 12.45 o'clock p.m. the Committee adjourned to the call of the Chair.

A. L. BURGESS,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

TUESDAY, MAY 23, 1950.

The Standing Committee on Public Accounts met this day at 11 a.m. The Chairman, Mr. L. Philippe Picard, presided.

THE CHAIRMAN: Gentlemen, we have with us this morning the Comptroller of the Treasury who is here to answer any questions concerning Mr. Sellar's memorandum on the form of the estimates. Before we start questioning the witness maybe it might be in order to ask him if he has any remarks with which he wants to preface his statement.

Mr. B. G. McIntyre, C.B.E., Comptroller of the Treasury, called:

THE WITNESS: Mr. Chairman, I prepared a very short statement that refers in a summary way to the present form of the estimates and touches briefly on the form prior to 1938 as well as on some of the points raised by Mr. Sellar. In commenting—

MR. THATCHER: Excuse me, Mr. Chairman, may we have a copy of that statement?

THE CHAIRMAN: We do not have any extra copies at the moment.

THE WITNESS: In commenting on the proposed re-grouping of votes in the Department of Agriculture, I would like first to refer briefly to the present form of the estimates and the results that were sought in the over-all revision of estimates in 1938.

The objectives that were sought may be summarized thus:

- (1) to group all votes pertaining to the functions of a department under that department;
- (2) to group the votes within the department by services;
- (3) to have separate votes under each service for the principal functions or activities carried out within the service;
- (4) to supply supporting details in the back of the estimates book by giving an object of expenditure classification for each vote.

I should like to emphasize that except for a few votes this detailed classification, which may be called an objective or type classification is used to give a detail breakdown for each functional vote.

In the actual accounting for the expenditure it is frequently necessary to have the vote allotted by units of organization serviced by the vote. For example, the accounting for and control of the expenditures under the vote for branch farms and illustration stations is carried out under each branch farm but the expenditures for each of these branch offices are in turn analyzed under the headings of Salaries, Wages, Travelling Expenses, Materials, Supplies, and other objective classifications.

Suggested Groupings of the Present Votes in Agriculture

The vote headings under each service almost invariably include one for general administration of the service or branch concerned, and it seems desirable

to continue this so that the director in charge will know the amount available to carry out the service under his direction.

Reduction in Number of Votes

If it is the desire of this committee to recommend a system that will reduce the number of separate votes, consideration might be given to accomplish this without disturbing the present form of estimates.

The reduction could be obtained by allotting but one vote number to each of the principal services appearing in the Agricultural estimates but to continue to show, as at present, the amounts required for the different functions or activities provided for under the service. If these separate amounts are carried into the supply bill, although under one vote number, they will continue to be binding on the department. This arrangement would permit voting on the requirements of an Agricultural service as one amount for the total of the service, or by individual items showing under the vote number.

The Proposed Fixed Amount for Paylist Charges

This proposal would present real problems if it is to include provision for casual assistance and wages. If it is restricted to salaries of regular staffs, then it will still be necessary to make some provision in a general vote to take care of pressing needs that are bound to arise in some services.

Capital Works

It is agreed that these could be separated from the operating votes and that it would be an improvement to make this separation.

Now, do you want me to touch at all on the estimates as they were before the 1938 revision?

The CHAIRMAN: I think we might bring that up after, since it is a different question entirely. The witness will be able to give us what we wanted to get yesterday, an idea of the estimates before the 1938 revision. For the moment, for an orderly discussion by the committee, I think we might proceed on what we have heard up to now. The discussion is now open to the members for any questions they may want to ask the witness on the two memoranda, the one on estimates proper and the one on estimates of agriculture on which Mr. Bryce and Mr. Sellar have given evidence.

Mr. FLEMING: Do you not think, Mr. Chairman, that it would round out our information from the witness if he completed his statement now?

The CHAIRMAN: I have no objection personally but I think it would be better to discuss what he has just read.

Mr. FLEMING: I was wondering, it might throw light on some of these other questions we had touched upon.

The CHAIRMAN: That is an entirely different subject. We want to have Mr. McIntyre, and Mr. Bryce also, give evidence on that particular question of what the estimates were before 1938. I suggested yesterday we would get somebody from Finance, and have been told that both Mr. McIntyre and Mr. Bryce will speak to us on that. If you want him to go ahead all right, but I suggest we question him on what he has read up to now.

By Mr. Johnston:

Q. There is one question that comes to my mind, arising out of what Mr. McIntyre has already said. Did Mr. Sellar consult with you over this presentation of his before he gave it?—A. No, sir.

Q. My impression was that he had gone into this quite thoroughly with you and that you were more or less in agreement with what he recommended.

The CHAIRMAN: Mr. Sellar never said any such a thing, at least not in evidence before this committee.

Mr. GAUTHIER: Mr. Johnston said that that was his impression.

The WITNESS: I received a copy of his presentation at the time he was ready to present it or after he presented it, I do not know which, but he did not discuss it with me.

By Mr. Johnston:

Q. He did not discuss it with you in any detail at all?—A. No.

Mr. FRASER: Mr. Chairman, I wonder if from an accounting point of view Mr. Sellar would have different ideas entirely from those the Treasury Board would have. Now Mr. McIntyre, you only check up on the different items, your department sanctions the payment of these moneys, under each item, and if one item in a vote is asked to be changed around or increased, well then, your department is asked to do that changing.

The CHAIRMAN: This gentleman is the Comptroller of the Treasury, he is not the secretary.

By Mr. Fraser:

Q. Pardon me, Comptroller of the Treasury. You can change that vote for them, is that right?—A. No, the Treasury Board is the only authority by which changes can be made in the allotments made within a vote. No changes may be made between votes. The other question is in connection with the estimates and my concern with them. After all, the estimates are the foundation for our accounts and we operate the accounts in accordance with the departmental appropriations, allotments and classifications of expenditures, and report part two of the public accounts. We prepare the details of the public accounts and the estimates form the basis on which these accounts are built.

Q. And you have to have all the receipts, and payments, checked and all that, in order to do that work?—A. That is right.

Q. When you read your statement a minute ago you mentioned the fact that under casual and others it should not be difficult to operate?—A. It would be.

Q. Well, now, we have had Mr. Bryce make his explanation of that. Is there any way that that could be fixed so that there could be no casual or others, that there could be a fixed amount in a department instead of perhaps jumping \$50,000 or \$100,000 as they sometimes have to do?—A. I can see no way of having a fixed amount.

Q. No way of checking that so that a department cannot run into casual and other wages?—A. I do not think so.

Q. Well, when the departments make out their estimates at the first of the year, there would only be one or perhaps two branches of the agriculture department that would be affected by casual and others. I should say where they might not have control of what would be coming next.—A. Well, the experimental farm is a good example.

Q. Now, why would they not have an idea in experimental farms of what the casual would be?—A. Because of weather and other conditions, the labour supply and the labour cost may vary quite a bit, and crop conditions enter into it.

Q. Wouldn't their temporary or permanent employees be able to look after that?—A. That depends on how closely the appropriation is trimmed.

Q. My real reason for asking was that on account of this prairie farm rehabilitation amount that rose from \$445,000 up to \$936,000?—A. I think that was explained as being caused by a change the department was forced to make in carrying out their work projects.

By Mr. Thatcher:

Q. I am sorry that we have not got a copy of Mr. McIntyre's brief today because it is hard to remember all he said, but I wonder if he would express a general opinion as to Mr. Sellar's recommendation? He did in a general way. Would he agree with Mr. Sellar when he recommended that the actual number of votes be cut down and consolidated? Do you think that would be advisable?—A. Some of these recommendations are good but I think that No. 1 where several votes providing for administration services are suggested for consolidation—it seems to me it would be unwise to take out of the particular service the administration votes pertaining to that service and place them in a general vote for administration. After all the director of a service is responsible for carrying on his work and he should know the funds he has available to do the work. He should not have to depend on a division that is made afterwards between several directors out of a general vote.

Q. Could you, Mr. McIntyre—I do not wish to press you—but could you in a general way say whether you do favour Mr. Sellar's recommendation on estimates?

The CHAIRMAN: Not so fast, Mr. Thatcher. We must remember that Mr. Sellar made quite a number of recommendations, and the witness might agree with half of them or with one third of them. You cannot ask him do you agree with all. Point out the one you want and he will tell you now. The witness is, I may say, just now on page one of the memorandum on Agriculture estimates.

Mr. THATCHER: Which one are we on?

The CHAIRMAN: Agriculture, and not on the general.

Mr. THATCHER: Not on the general.

The CHAIRMAN: At the moment he is dealing with the consolidation of all the administration votes of the Department of Agriculture. Now, if you have any question to ask him such as, do you agree with such and such a recommendation?—that is fair, but you certainly cannot ask him whether he can agree with Mr. Sellar's recommendations as a whole because Mr. Sellar has made many recommendations. You can ask him about any one.

By Mr. Fleming:

Q. I would like to ask Mr. McIntyre, starting with the general before we come down to something more particular, if he is satisfied with the present form of the estimates as submitted to parliament having regard to parliament's responsibility with reference to the voting of public money?—A. Well, the form of the estimates in itself has not, to my knowledge, presented difficulties to us.

Q. What do you mean when you say "to us"?—A. To the operation of our accounts, the control of the accounts to keep the amount within the appropriation granted by parliament for the service. The wording of the item may have some effect. If the wording is general, of course, it does broaden the scope of the vote and of its interpretation. But if it is too restricted, it may hamper the carrying out of the service within the department. That would be something which the department would be best able to answer in dealing with a particular vote.

Q. I take it that your concern, and the concern of your colleagues, is in this respect rather different from the concern of the auditor-general. You come at this from a rather different point of view. He lays stress on the responsibility of parliament in connection with voting the money. But your concern, I take it, is with the distribution of money into the various slots into which the appropriation bill directs it to go.—A. That is correct, within the amounts authorized.

Q. So that if there are differences of opinion between you and Mr. Sellar on this question, it may be expected in view of the fact that you approach it from quite different points of view?—A. That is correct.

Q. Would you care to comment on Mr. Sellar's point on the matter of legislating by item? Is that a matter with which you in the Treasury have great concern, or are you simply taking the form of the item, whether it is legislative or not, and applying the money in accordance with it?—A. If the wording of the vote ties the item solely to the provisions of a particular Act, then the provisions of that Act only can be considered in the matter of charges to the vote.

Q. I mean, again, your approach is rather different from the one we have been considering here. I do not want to press you too far if it is taking you into a different field. But you know the point I am speaking about. Mr. Sellar does not think that parliament should change legislation simply by a brief insert in an item.

The CHAIRMAN: Do you mind giving us the item for reference in the record?

By Mr. Fleming:

Q. It has been up several times, Mr. Chairman. It is on page 11 of the first memorandum of Mr. Sellar, the one which is headed "The Estimates", item 17 on page 11. It is headed: "Vote Texts that Legislate":

A matter of particular constitutional concern is the practice of legislating by means of items in the Appropriation Act. That is, by phrasing the text of an item, Parliament enacts in a manner to exempt from or override existing legislation or, in effect, to add to statute law.

Then he goes on to give a particular example with which we are probably familiar, item 67.

"An example is Item 67 (quoted in paragraph 15 above)."

In your work have you any particular concern with that problem which Mr. Sellar regards, I take it, as one of importance?—A. Once parliament has authorized the item, we are governed by what parliament has authorized and it does not present any problem to us.

Q. You are not concerned with basis of the practice in parliament?—A. No, sir.

By Mr. Macdonnell:

Q. As I understand it from our talks with Mr. Sellar—take item 67 shown as \$1—actually what was taken, you might say, was an expenditure of several hundred thousand dollars, and it might be founded by the reason, we are told, or the fact, that there were moneys coming in to the Dominion, into the Consolidated Fund, or becoming available in foreign countries. Supplementing what Mr. Fleming has asked, may I say this: you have, as I understand it, as your authority here, item 67 which is put in at a total amount of \$1. But nevertheless under that item you come to approve fairly substantial expenditures in foreign countries. Does that come within your bailiwick? Presumably these expenditures in foreign countries go through you and you authorize them?—A. That is right.

Q. And they all reach back to this one vote of \$1?—A. That is right; and the wording of that vote is the authority for the payment.

Q. Presumably you get other authorities as to the detailed amounts. Do they just come from the Department of External Affairs?—A. The procurements are approved by the Treasury Board or by the Governor in Council, according to the usual practice, before payment is made.

By Mr. Fleming:

Q. Do you work upon instructions from the Treasury Board?—A. An application from the Department of External Affairs is supported either by an approval of Treasury Board or by the Governor in Council.

Q. Do you take that as instructions?—A. Payment in these cases go through the normal channels of authorization the same as in any other department. The only difference is that instead of voting \$1 million, the item is authorized by a token vote of \$1 and is restricted to the amounts of foreign currency referred to that are available.

By the Chairman:

Q. But your authority comes directly from the wording of item 67?—A. Solely.

Q. Solely; I mean, if the expenditure is sent to you for approval and it did not fall according to your officers within the wording of No. 67, then you could not approve it?—A. I could not.

By Mr. Macdonnell:

Q. In order to show, shall I say, the extraordinary vagueness and broadness of the authority under which you authorize the use, and so on, of inconvertible foreign currency from the deposits of such currency which may be used for governmental or for other government purposes in these countries and which have been received by the Government of Canada from other governments in settlement of claims arising out of military operations or war expenditures, there is nothing to show whether the amount involved was \$10,000 or \$10 million. I think we were given figures to suggest it was several hundred thousand dollars. But at the time that is voted, nobody can tell parliament how much they are voting. Is that correct?—A. That is quite right. It is subject to the amount of funds that are involved in these blocked accounts.

By Mr. Browne:

Q. How does the insertion of \$1 give the government authority to spend, let us say, \$1 million?—A. On that point we rely on the law officers of the Crown, the Department of Justice. They ruled that the wording is sufficient to authorize the payments that are contemplated by this item.

Q. Which may run into millions of dollars?

Mr. BOISVERT: Surely!

The CHAIRMAN: On that same question—

By Mr. Fraser:

Q. The witness mentioned the fact that the Department of External Affairs authorizes or makes application to your department for payment out of these funds?—A. That is right.

Q. Now, they are the only department which is allowed to do that? Is not that right? Out of that fund?—A. Under that \$1 item, yes.

Q. Under the \$1 item. The Defence Department cannot make application under that \$1 item, can they?—A. No, sir. The vote is limited to the Department of External Affairs and their requirements.

Q. And if the defence department wants funds for anything overseas in any of those countries where they might have an office or some of their men, they have to go to the Department of External Affairs first; or how do they get it?—A. Their accounts are paid direct in the usual way, but are charged to their appropriation.

Q. And it won't come out of this fund?—A. It might come out of blocked currency account, but not under the authority of this \$1 item, but under the authority of their appropriation.

Q. I understood in the External Affairs Committee—although I might have been wrong—that they might take money out of this account.

Mr. PINARD: I do not recall that having been said in a meeting of the External Affairs Committee when you asked your question. I think they said

that Defence had its own appropriation the same as any other department. We were told that this item could be dealt with only by the Department of External Affairs. We were told the whole procedure: an officer of External Affairs makes a demand which is sent to the proper authorities in Ottawa and is dealt with by the Treasury Board; and when it is approved by the Treasury Board, the payment is made.

Mr. THATCHER: Would it not be possible to legislate for the exact amount? Why does it have to be done this way?

The CHAIRMAN: You mean to vote the exact amount?

By Mr. Thatcher:

Q. Yes.—A. We have to be governed by what parliament has approved.

Q. You mean that the government wants to do it this way and that is why it is done in this manner?—A. Parliament has approved it in this form.

Q. Would there be anything to prevent it being done in a regular way, I mean to have an exact sum voted?—A. I do not know of anything.

Q. Therefore you would agree with Mr. Sellar that as far as technicalities go his recommendation is feasible?—A. Oh, yes, it is very practical.

The CHAIRMAN: May I point out that this is one of the items that has been left unanswered and in abeyance in our evidence. That is why I wanted some of these items to be covered. We have agreed that we should not call too many witnesses, and make the meetings too long. I had it in mind—if anybody should read the reports of our committee, and in view of the fact that the \$1 item has been covered in External Affairs—to ask the committee to have added as an appendix to today's proceedings the memorandum which was submitted to the External Affairs Committee by the Secretary of State for External Affairs, the Hon. Mr. Pearson, explaining the policy of his department and the methods followed in connection with this vote. The Committee on External Affairs allowed him to read the whole memorandum without his being questioned before he was through. I think it should be included so that anybody who consults our reports will see that it has not been left in abeyance. I do not think it would be fair to the work of the committee if that question were left unanswered. Therefore, I suggest that in order to make the matter clear we add as an appendix to today's meeting the memorandum of the Secretary of State for External Affairs which was submitted to the Committee on External Affairs, explaining the views of his department on that question.

By Mr. Macdonnell:

Q. Mr. McIntyre has told us that so far as he is concerned parliament has acted in this way and it is their business.—A. That is right.

Q. And secondly, he has taken instructions from the people from whom he reasonably might take instructions, once parliament has passed it in this way, namely, by Order in Council or by minute of the Treasury Board. In fact he says: If that is the way you want to do it, you can do it in that way. But we are leaving these things to be dealt with not by parliament in detail but by the Treasury Board or by the Governor in Council.

The CHAIRMAN: On the authority of the wording of this item and as explained to the Committee on External Affairs by the Secretary of State for External Affairs to the Committee; and it was also stated that this procedure had been approved by the law officers of the Crown, that is, the Department of Justice, before the wording was made in this way, and before it was agreed to set the amount at \$1. That is in accordance with what was said in the Committee on External Affairs.

Mr. MACDONNELL: There is no reason why parliament should not pass one item covering the whole of the expenditures if it wanted to do so.

The CHAIRMAN: But in this case we do not know the amount at our disposal. Consequently we do not know what we want to spend because we do not know our needs abroad at the moment this item is voted.

Mr. PINARD: And we did not know what amount would be collected following the long discussions with the nations which had the same situation.

The CHAIRMAN: We had Mr. Sinclair express his view as to what he had done in the way of negotiations, and we had Mr. Bryce give us his impression. It would have been preferable for the record to have further evidence, but since we have agreed not to hear too many more witnesses, I would like to have this memorandum included in our record.

Agreed to. (See Appendix A).

Mr. THATCHER: You cannot make a motion as chairman, can you?

The CHAIRMAN: I am not making a motion. My thought is more in the way of a suggestion. I was suggesting that we do something.

Mr. THATCHER: I have one or two questions.

By Mr. Fleming:

Q. It comes back to this, does it not: that your concern again is different from that of Mr. Sellar. You have no concern, I take it, with the job that parliament has to do, or with its responsibility. You are concerned with what you find after parliament has finished its work.—A. That is right, sir.

The CHAIRMAN: In court I think that would be called a leading question, Mr. Fleming.

By Mr. Fleming:

Q. There is a limit to the distance we can go in asking Mr. McIntyre questions on this subject because I think his concern is rather different. Unlike Mr. Sellar, Mr. McIntyre is not an official of parliament. You are an official of a government department, the Department of Finance, are you not?—A. Yes.

Mr. MACDONNELL: I understand that this is one of the things which we shall be considering further in the steering committee.

The CHAIRMAN: I understood from Mr. Thatcher that we should leave this matter; but that is one of the items which will be left uncovered unless we add a statement at the end, or unless the committee wishes that we again hear from Mr. Bryce as to additional details of that item.

Mr. MACDONNELL: But there was a further recommendation of the steering committee that this item, among others, will be considered by and reported on in this main committee.

The CHAIRMAN: Oh yes, of course; but we are not bound to hear more witnesses, at least that was the understanding which resulted from the discussions in the committee yesterday.

Mr. THATCHER: Mr. Chairman, I would like to get back to this memorandum.

The CHAIRMAN: Which one?

Mr. THATCHER: The one of Mr. Sellar on the estimates. I would like to understand just what Mr. McIntyre's job is, is he not in charge of the Treasury Board?

Some Hon. MEMBERS: No.

Mr. THATCHER: Well then, what is Mr. McIntyre's job.

The CHAIRMAN: That is a good question. In other words, you want to know what Mr. McIntyre's duties are?

Mr. THATCHER: Yes, what does he do.

The WITNESS: My responsibilities are set out in the Consolidated Revenue and Audit Act. One is to certify that funds are available in the appropriations to be charged with the proposed expenditure; second, to audit the accounts of the department as they are submitted before payment; and, third, to carry out the accounting operations and provide the financial statements that are necessary at various periods throughout the year; and, finally, to assemble all this data in part II of the public accounts.

Mr. THATCHER: And when the departments put in their estimates for the year they consult the Treasury Board. Are you the chairman?

The CHAIRMAN: Mr. Bryce is Secretary of the Treasury Board; this gentleman is the Comptroller of the Treasury.

By Mr. Thatcher:

Q. As Comptroller of the Treasury, is one of your jobs to try and suggest ways of cutting down the estimates in any way?—A. No sir.

Q. Whose job is that?—A. I am not on the Treasury Board staff at all. I am independent of them.

Q. I was looking at the memorandum on estimates submitted by Mr. Sellar, at the bottom of page 1 there—have you got them handy there?—A. Are you speaking from his memorandum?

Q. Yes, his memorandum, the bottom of page 1. Mr. Mackenzie King apparently was speaking in the year 1928. You will see it at the bottom of the page there, and apparently at that time he said:

We would welcome a change in the present method, a change which would not only afford fuller opportunity for discussion but which would carry with it an obligation on the part of the heads of different branches of the public service to appear before a committee of the House and explain fully the reasons which have occasioned the recommendations which find their place in the estimates submitted to the House.

—A. I do not know that I am competent to express any opinion on this.

Q. Well, would you agree—

The CHAIRMAN: You cannot force a witness if he does not want to answer.

Mr. THATCHER: Well then, let me put it this way; if this had happened as has been suggested by Mr. Mackenzie King, in your opinion which would be most affected by it, the estimates or the public accounts, if we had in mind bringing about this change?

The CHAIRMAN: Both—but, Mr. McIntyre, he is putting the question to you.

Mr. SINCLAIR: If I may say so, Mr. Chairman, Mr. Thatcher is going outside of Mr. McIntyre's duties and responsibilities there.

Mr. THATCHER: No, I thought he might care to express an opinion on Mr. Sellar's memorandum.

The CHAIRMAN: Yes, he might express an opinion, if he cares to.

Mr. MACDONNELL: He might have some opinion on the subject, and if he were to give it to us it would be very helpful.

The CHAIRMAN: If he cares to, that is all right, but he cannot be forced to answer on questions of policy.

Mr. PINARD: If I understand, the witness is being asked whether he approves of what Mr. Mackenzie King said, or whether he disapproves of it.

Mr. THATCHER: No.

Mr. PINARD: That is what it is.

Mr. THATCHER: My question was this—

Mr. PINARD: You had better put your question again.

By Mr. Thatcher:

Q. If you carried out the suggestions of Mr. Mackenzie King, if this committee or some similar committee were interested in making a saving for the coming year, which would be the more effective, to examine the estimates or the public accounts with a view to the future?—A. I would say it might involve a combination of both the public accounts and the estimates.

Q. I see. Well then, let us go a step further. Suppose we examine them both, what in your opinion would be the most effective way of taking the items which come before the committee? How would you suggest it should be done?—A. I am afraid I could not be of any help to you on that.

Q. You have no ideas?—A. There is no solution outside of hard work.

The CHAIRMAN: Hear, hear.

Mr. THATCHER: You mean, go right through the whole lot of them?

Mr. MAJOR: Would not the estimates come first and then the public accounts after the expenditures have been made?

The CHAIRMAN: That is the usual procedure. There have to be estimates and expenditures authorized before there can be public accounts, and when the estimates are up for discussion in the House the minister can be asked questions about them. Of course, it is always open to the committee to make a suggestion to parliament in its report, as was suggested yesterday by Mr. Fleming.

Mr. THATCHER: Mr. McIntyre made a statement. His reply was, "by hard work"; I would like to know what he means by that, and if he thinks it advisable—

The CHAIRMAN: It is up to the committee to decide that.

Mr. THATCHER: But I was asking him, Mr. Chairman.

The CHAIRMAN: Well, he told you.

The WITNESS: It would all depend on the committee and its organizational set-up to handle the work.

Mr. THATCHER: Just one other question, Mr. McIntyre. If you will turn to page 4 of Mr. Sellar's memorandum you see he says in paragraph 8(b) that a Public Accounts Committee annually reviews all receipts and expenditures and reports thereon; and he goes on to say, "a member of the opposition, as a rule a person who was a member of a former ministry, is chairman". Do you see any objection to that?

Mr. PINARD: I certainly do.

Mr. CAUCHON: That is a matter of policy, is it not?

Mr. THATCHER: Don't you think it might be an additional safeguard?

The CHAIRMAN: Do you think that is a question which comes within the competence of the witness, the Comptroller of the Treasury, to decide? That is a matter of policy, Mr. Thatcher.

Mr. CAUCHON: Surely.

Mr. FLEMING: I suggest the leader of the opposition.

The CHAIRMAN: That might be a good idea. Have I not acted in a very unbiased way at all times?

By Mr. Sinclair:

Q. As I understand your position, Mr. McIntyre, you are a combination of comptroller and internal audit?—A. Yes, sir.

Q. So then the question of the estimates would be outside of your field. Your authority is to see that expenditures conform to the provisions of the Appropriation Act, that is the items as passed by parliament. One of Mr. Sellar's suggestions is that instead of having 600 items as at the present time

in the estimates they be consolidated or reduced to 200 items. If such a consolidation of items, or reduction in the number of items in the estimates, were carried out would it make your work any easier having in mind that parliamentary approval has to be given with respect to each item that is passed? Would your work be made easier or more difficult if instead of having 600 odd items as it is now in the estimates they were lumped into let us say 200 items.

Mr. JOHNSTON: He has already answered that.

The WITNESS: If Mr. Sellar's number of votes is combined with the Treasury Board set-up of allotments as undoubtedly they would in order to provide the necessary services, our work would be the same. And our analysis of the accounts would be the same.

Mr. THATCHER: Can you say whether we will be saving any amount by adopting Mr. Sellar's recommendation? If it were put into effect would there be any saving to the taxpayer?

The WITNESS: Not by that means alone. You cannot hope to save money by tying three or four items together instead of taking them one at a time for each service which of necessity has to be dealt with separately. I cannot see any way of making any saving by doing it in that way.

Mr. FLEMING: I understood from your reply to Mr. Sinclair that it would not make any saving in work; but if I understand the situation correctly you would then be deriving more of your authority from the Treasury Board, through Treasury Board minutes, than at the present time?

The WITNESS: Surely.

Mr. SINCLAIR: And that would have the effect of taking authority away from parliament, as far as the estimates are concerned, and having the Treasury Board actually detail the amount to be spent?

The WITNESS: That is correct.

Mr. MACDONNELL: Am I not correct in saying that while Mr. Sellar did propose reducing the actual number of items nevertheless he felt also there should be substantially the same amount of detailed information given, even although there might not be 600 items as at present? In other words, my understanding was that we would have exactly the same amount of information we have now although not perhaps arranged in the same manner.

Mr. SINCLAIR: But Mr. Sellar also pointed out that the details of the estimates carry with them no authority in connection with the expenditures or no assurance that the money would be spent in the manner indicated by them.

Mr. FLEMING: That is right; the details are not a part of the Appropriation Act.

The CHAIRMAN: Gentlemen, before we go any further may I just point out one difference between Mr. Sellar and Mr. McIntyre. Mr. McIntyre audits and approves every item of expenditure before it is made while Mr. Sellar audits the accounts after the expenditures have been made, so you will see they have two entirely different functions.

Mr. THATCHER: My difficulty about the 600 items we have at the present time is not so much that they should be cut down, but rather I think there should be more of them. I do not like Mr. Sellar suggesting that they should be consolidated into 200 items. I would like to ask Mr. McIntyre if he thinks it would be advisable or would help to have the number of votes increased, and if that would make the work of his department any more difficult?

The WITNESS: It would not be any more difficult for the department.

Mr. THATCHER: Is there any difficulty in your way? I mean, with more detailed estimates.

Mr. PINARD: I think the witness already answered that point when he said the work would be the same.

Mr. THATCHER: No, he did not.

Mr. PINARD: He said that the number of items did not make any difference.

Mr. THATCHER: I am not interested in what you say.

The WITNESS: It is awfully hard to answer that question in a blanket way because I think you will surely admit that with the estimates as they are at the present time there are quite a number of provisions in there that are quite easily understood, there may be others that are not so easily understood, and it may be possible that further detail would add to the ease of understanding on the part of members.

The CHAIRMAN: Would it not also be a question, as has been suggested, of rewording the estimates in such a way as to clarify the items which already exist and make it easier to understand them?

By Mr. Fleming:

Q. May I ask Mr. McIntyre about a different subject now? How early in the year during the session of parliament would it be possible to furnish parliament with a reasonably comprehensive statement of the actual expenditures during the preceding fiscal year corresponding to the items set out in the estimates for the current year before parliament?—A. You mean the present expenditures by departments?

Q. By departments, to enable parliament to see the actual expenditures made during the preceding fiscal year and how they correspond with the estimates proposed for the current year.—A. That would depend on the extent of the detail, the supporting detail that you want presented; a statement of the appropriations together with the allotments made under those appropriations which to a large extent conform to the details in the estimates; without seeking to extend this to all the detail involved in making an analysis by units of organization. Take Agriculture. We have many allotments in that department and we have a great many in Transport; and as long as we do not have to analyse them in too great detail it does not take too long after the books are finally wound up for the year. I should also point out that our books are kept open until April 30, one month following the end of the fiscal year, that period being necessary to effect adjustments that have to be made in winding up the accounts. But after the books are closed it would take only a relatively short time before a summary statement of appropriations by allotment breakdown could be made available.

Q. How feasible would it be to furnish parliament at an early stage in the session here with a statement in form corresponding to the estimates for the current year including the actual expenditures, we will say, for 10 months or 11 months of the fiscal year, and to estimate the contemplated expenditures for the balance of the year?—A. Well, there is one point there: we would have to wait until after the Minister of Finance presented his budget.

Q. And that is usually brought down by April. One of the difficulties one has in viewing the estimates when we have them before us is to consider the volume of expenditure in the preceding year so as to compare it with the estimates for the current year. If we had the actual expenditures there for the preceding year it would give us a better basis of comparison. I quite appreciate that the fiscal year does not close until the 31st of March and that you always have an additional month in which to close out your books and that as a result it would not be possible to get the complete statement before parliament until

some time after the end of April. Is there not some middle course we can follow there, taking the actual expenditures let us say for 10 months and estimating the contemplated expenditures for the balance of the year so that we could have that for comparison with the estimated expenditures for the current year? Would it be possible to have that brought down in the House about the same time the estimates themselves are tabled?—A. Yes, it would; it is merely an extension of the detail that is used to make up the figures for the budget.

Mr. BROWNE: As I understand it, the Auditor General suggested that something of that kind could be done.

The CHAIRMAN: Pardon me, gentlemen; so that there will be no misunderstanding, it is the intention that the committee shall adjourn at a quarter to one.

Mr. FLEMING: As Mr. Browne just said the Auditor General agreed in this suggestion. Now, in your opinion, in dealing with these expenditures, would it be possible to bring a statement of that kind down to cover the period up to the end of December, let us say December 31? Could you provide parliament with a statement showing the actual expenditures up to that date and supplement that with a statement showing the contemplated or estimated expenditures for the balance of the fiscal year?

The WITNESS: If the proposal is to have a statement presented to parliament say about the end of February there certainly would be no reason why we could not include the actual expenditures up to January 31; on the other hand, if you expect this statement before the end of January, December 31 would certainly be the cut-off date for the actual expenditures.

Mr. FLEMING: You think it would be quite possible to give parliament a statement of the expenditures up to January 31, when they could be tabled along with the estimates which usually come down at about that time? I imagine it would be very useful to the members in the House to have a statement of that kind before them when they are considering the estimates for the current year. Do you think that could be done?

The WITNESS: Yes, it could be done.

By Mr. Sinclair:

Q. Would that information with regard to the actual expenditures reflect adequately the picture with regard to expenditures for the year?—A. Not necessarily, because the accounts for the year have a time lag of at least a month and most of the expenditures, in fact practically all of the expenditures made in April pertain to the previous fiscal year. The thirty-day period is to take care of the accounts still outstanding, the invoices are for goods delivered or services rendered up to March 31.

Now, that time lag extends right throughout the year and is not picked up until the month of April; so that actual expenditures to December 31, would represent less than nine months of the fiscal year but more than eight months because salaries are charged to the month in which they are earned and are a substantial amount. There are no arrears of salaries and wages to be paid at March 31.

Q. Following Mr. Fleming's suggestion, the estimates used in the Finance minister's budget speech are a pretty accurate estimate and so long as the practice continues to have the budget speech in February or March, this committee would have at that time a pretty accurate estimate of what had been spent in the previous year.—A. Oh, yes, sir.

The CHAIRMAN: Are there any other questions you desire to ask on that brief?

By Mr. Drew:

Q. Well, Mr. Chairman, I think this would perhaps be a question to Mr. McIntyre in his position as Comptroller of the Treasury. Mr. McIntyre, I recognize that as distinct from Mr. Sellar's position you are within the ordinary ranks of the civil service as distinguished from Mr. Sellar who is appointed by parliament itself, and my question is not directed with the thought of asking you to make any statement in regard to policy but rather as to what the actual mechanics are. We have before us a comparison of the estimates of the different years starting with a group of estimates on what has been described as a functional basis for 1938-39, then carry these through into 1940-50, and again into 1950-51. Taking such an item as telephones, telegraphs, and postage, I find for instance, that in 1938-39, the last year before the war, the total estimates for telephones, telegraphs and postage expense are given at \$960,248, whereas for 1950-51, you estimated \$8,595,943. As Comptroller of the Treasury, are you called upon to examine these and to consider them from the point of view of the rather remarkable increase in the amount, and as to the reasons why there should be such an increase? Are you called upon to ask any questions which would support increases of this kind?—A. No sir, I am governed by the sufficiency of vouchers or other authorities to pay, and the authority granted by parliament to make the payment.

Q. So that yours is a strictly accounting procedure, and you do not attempt to examine whether the amount could or could not be reduced and still provide the service to be rendered?—A. No, sir, I do not.

Q. Who does accept the responsibility for that?—A. The permanent heads of the department or the person responsible for the expenditures that are made within the department.

Q. Well then, when it passes the departmental stage, what supervision is there at the Treasury level or what examination is made at the Treasury level that might conceivably effect a reduction?—A. The examination of these expenditures at the time the estimates are considered?

Q. Whose responsibility would it be at that time, at the Treasury level, to make any suggestions that would lead to reductions in the estimates?—A. You refer to—

Q. At the time the estimates are gone over?—A. —the Treasury Board?

Q. Yes.—A. Well, I cannot say who would be particularly responsible for it.

The CHAIRMAN: Would you kindly ask your question again, Mr. Drew?

Mr. DREW: Well, who at the Treasury level—and I am limiting it to the Treasury Board—has the duty or has the authority to examine the estimates that are put forward with the idea of ascertaining whether there are any items that could be reduced or whether there is an unreasonable increase of a particular item?

The WITNESS: Well, sir we of the comptroller's office do not enter the field on estimates until after they become votes of parliament and authorities to extend. We have nothing to do with the preparation of the estimates other than to present the details on expenditures of previous years as well as the year that is current at the time. The estimates are a departmental responsibility and from there they go to Treasury Board for consideration.

The CHAIRMAN: Might it not be agreeable to ask the Secretary of the Treasury Board who is here as a witness, but not at the table, whether he could answer that.

Mr. DREW: Do I take it, Mr. McIntyre, that as far as you are concerned, your responsibilities are simply responsibilities in relation to the aggregate expenditure and appropriation of money that has already been approved in the estimates through the procedure that has been provided for that purpose?

The WITNESS: That is right, sir.

The CHAIRMAN: Would it clear the record if we could ask Mr. Bryce, who is secretary of the Treasury Board, to answer that.

Mr. BRYCE: Do you wish me to answer Mr. Drew's question on that point?

The CHAIRMAN: Yes, Mr. Bryce.

Mr. BRYCE: I would say, sir, it is the responsibility of the ministers in Treasury Board to consider the proposals of the departments. In helping them do so I and other officers of the Department of Finance examine the proposals of the departments and put any comments or views that we have on them before the ministers at the meeting of the Treasury Board held to consider them.

Mr. DREW: That really does come to the information I am trying to obtain. I will explain what I have in mind. In the case of the public accounts, the Auditor General makes certain representations in regard to details of the accounts that have actually been closed at a certain date. What I am trying to ascertain is what procedure is followed of a corresponding nature to bring some measure of examination to the accounts by the department officials. Now, as I understand Mr. Bryce's answer, it is to the effect that he and other officials associated with him will examine these and that in addition to such measures of Treasury Board, he would or his officials associated with him would make any recommendation that they thought proper having regard to what they found in the estimates before that; is that right?

Mr. BRYCE: Yes, sir.

Mr. FLEMING: I would just like to ask Mr. Bryce one question arising out of that. It has to do with the timing and also with the information available to him and his other officials in relation to expenditures up to that point during the current year. As I understand it, the estimates are prepared by the various departments beginning about October and they will go to Mr. Bryce and his officials for preliminary review, we will say, somewhere around the end of December. After review there, there may be some shuttling back and forth, but at a later stage the department through its minister actually makes the formal presentation of these estimates to the Treasury Board, that is the board of ministers. Now, what information is available to and considered by Mr. Bryce and his officials at that first stage, and by the ministers of the Treasury Board at the second stage, as to expenditures to date during the current fiscal year.

Mr. BRYCE: That is a very real and difficult problem because naturally the estimates have to be prepared before we know what the expenditures will be for the year preceding that to which the estimates themselves relate. We are forced to rely on a forecast of expenditures based on all the information that is available. As Mr. McIntyre has indicated, we secure the most up-to-date information we can as to actual expenditures and contractual commitments up to the time that we are actually working on the estimates. We also request the Treasury officers to give us the best guesses they can, and often it can be no more than guesses, as to what the expenditures will be in the ensuing three, four, five or six months period. As naturally might be expected, opinions may differ as to what the expenditures in a particular vote are going to be and we have to use our best judgment in reconciling conflicting forecasts as to what those expenditures will be in certain votes.

Mr. FLEMING: Apart from a change in the government fiscal year or a change in the date of calling parliament have you any suggestion to make regarding improving the element of forecasts in the present system?

Mr. BRYCE: I am afraid not, sir, if we want to get the estimates to parliament a month or two before the fiscal year to which they relate. If that is to be the case—and as I understand it, that would be what parliament itself would wish—then I think this problem is inescapable.

Mr. MACDONNELL: Have we already discussed whether the present fiscal year is immutable? If that has already been discussed in committee I do not wish to raise the point again.

The CHAIRMAN: We have not. As I understand your question, Mr. Macdonnell, you asked, have we discussed whether the fiscal year is immutable or not? We have not.

Mr. MACDONNELL: If your judgment is not against it, Mr. Chairman, could we have an expression of opinion on that from both these gentlemen here?

The CHAIRMAN: You can ask the question if you want to, Mr. Maedonnell, but I think it is a question of policy.

By Mr. Macdonnell:

Q. I would be interested if Mr. McIntyre would say something on that, and perhaps if Mr. Bryce would, too.—A. The fiscal year used to end on June 30, but was changed; I cannot recall the year it was changed, but it was back almost forty years ago anyway, before the first war. It was changed to March 31. It was changed at that time to bring the parliamentary sessions and the operating fiscal year more in line. Now, whether March 31 is the best possible date to choose depends an awful lot on when parliament meets.

Q. Could I ask this: it may be a very superficial view but it would almost seem as if parliament continues meeting at the present time that there would be certain great advantage in having it fit with the calendar year. Would there be some objection to that?—A. Then parliament would certainly have to meet in the latter part of the summer or fall, to appropriate the estimates for the following year, that would start with the first of the calendar year.

Q. In other words, you would need a fall session?

Mr. FLEMING: There is a bigger problem than that, is there not? There is the problem of interim supply?

The CHAIRMAN: As far as the Treasury Board is concerned have you any views to express on that question of the end of the fiscal year, Mr. Bryce?

Mr. BRYCE: I do not think my remarks would be different from what Mr. McIntyre has said. The basic problem is the timing of the parliamentary action on the estimates. Various practical problems are involved in that, on which I do not claim to be an expert.

The CHAIRMAN: Are there any further questions?

Mr. CRUCKSHANK: How many indemnities would we get if we adopted this new system?

Mr. FLEMING: Probably half a one.

The CHAIRMAN: Are there further questions to Mr. McIntyre on any of these briefs.

Mr. FRASER: Mr. Chairman, I spoke before regarding that \$1 item and I was told I was wrong. I have here the report of the committee on External Affairs, No. 5, and on page 119 Mr. Bryce was asked a question on that \$1 item as to whether it could be used for other purposes and Mr. Bryce had this to say:

...but I think it is true to say that while this is in the Department of External Affairs estimates, the funds received from these countries can be used by the government for other purposes as well, covered by other appropriations.

Mr. RICHARD (*Ottawa East*): Yes, but that would require a departmental vote.

The CHAIRMAN: Would Mr. Bryce please comment on that if he cares to?

Mr. BRYCE: I believe in the External Affairs Committee the discussion to which that relates, the question came up in connection with using the actual

balances received from the other countries for expenditures under the appropriations for other departments. The question has never risen to my knowledge on whether expenditures could be made under this vote 67 for the purchase of a property to be used, let us say, by the immigration service. I am not sure what the Comptroller of the Treasury would permit us to do.

The CHAIRMAN: That is exactly the answer the witness gave a moment ago.

Mr. FRASER: Mr. Chairman, I just wanted to put on the record the fact that evidence had been given on that point before.

The CHAIRMAN: But that evidence does not contradict what the comptroller said previously.

Mr. FRASER: Well.

The CHAIRMAN: Now, you have the two: our two witnesses answered that and they are both in agreement on it.

Mr. FRASER: It says right here it can be used by the government.

The CHAIRMAN: Yes, it can be used but not by authority of vote 67.

The WITNESS: The use would be on the authority of the appropriation available to the department concerned.

Mr. RICHARD (*Ottawa East*): But the item would not justify it in itself, in other words.

The WITNESS: No, sir.

Mr. FRASER: But that item there gives authority for all these funds to be paid to External Affairs Department or handled by them.

The WITNESS: No, only what it will require for its purposes.

The CHAIRMAN: It says "out of these funds", it does not say "all of these funds".

Mr. FLEMING: Can we have the other memorandum read now, the one that Mr. McIntyre was going to read to us about changing the form of the estimates?

The CHAIRMAN: Are there any further questions to be asked of Mr. McIntyre on Mr. Sellar's memorandum?

Then we will pass on to the question of the estimates as they were before 1938.

The WITNESS: The estimates prior to the revision of 1938 were not arranged by departments except in a few instances, and then only in part.

The predominant presentation was by services but there were certain salaries and contingent expenses called "Civil Government" which were brought together in one schedule and at least in earlier years were intended to provide for government staffs at Ottawa, the inside service and the contingency expenses of the department. This particular schedule therefore contained items affecting every department.

Again, in what was described as "Miscellaneous Services" we had grants and other items which were administered by the different departments.

The votes for the Department of Agriculture, apart from those provided under "Civil Government" for salaries and contingencies, and under "Miscellaneous" for various grants and perhaps some other items, were as set out on page 19, of the estimates for 1936-37, are an example of the presentation for a particular department.

There are no further details except other than the appropriations as shown in the estimates for that year for the Department of Agriculture.

We have only the details of civil government referred to in the first schedule; these are details given at the back of the estimates for the salaries, showing positions, not unlike what is shown today in the back of estimates for permanent salaries and contingencies, but when we go on further to regular service votes there is one item for dairying, followed by separate items for subsidies, fruit, seed, feed, and fertilizer control, livestock, experimental farm, health of animals, ento-

mology, publicity and extension, farm economics, international institute of agriculture contribution to the empire bureau and the advisory committee on agricultural service, marketing of agricultural products is another item, and there are no further details given in the back of the estimates for these items. Those items I have just read total \$7,457,000.

The CHAIRMAN: That is for Agriculture only.

The WITNESS: You can see here the comparative size of the two books, that for 1938 and that for 1939, the year following.

By Mr. Fleming:

Q. It would be more helpful for the record if the witness would give the number of pages.—A. The new estimates contain 228 pages, whereas the estimates of 1937-38 consisted of 95 pages.

Q. How were they broken down as between estimates and details, please.—A. There were in 1938, sixty-three pages for the estimates proper, and the total in the main estimates for 1939 was 53 pages. That is the part which provided for the votes. The 53 pages compares with the 63 pages in the old estimates.

Q. What about the details? Could you give us the number of pages for comparison there too, please?—A. In details?

Mr. BOISVERT: That is easy to figure out.

The WITNESS: 53 subtracted from 228.

Mr. MACDONNELL: Does that represent the entire change in the system or merely more detail?

By Mr. Fleming:

Q. So the big change really represents an expansion of the details?—A. The increase in size of the book is due to the expansion of the details set out in the book of estimates. In addition to this, of course, the whole body of the estimates, in the first part of the book, was re-arranged and there were many new votes introduced in the re-arrangement.

Q. Could you give us the number of items in the old estimates?—A. 440 in 1939; 295 in 1938.

Mr. FRASER: And during that time the expenditures have increased about \$2 billion.

The CHAIRMAN: No, these are the two years, 1938 and 1939.

By Mr. Fraser:

Q. Oh, 1938 and 1939, pardon me. How much did it increase in that time?—A. The number of votes?

Q. No, the actual budget.

The CHAIRMAN: The actual amount of the total votes.

The WITNESS: The total vote for 1937-38 was \$421 million, and for 1938-39 the amount of the estimates showed \$419 million, so there was an actual reduction, not an increase.

By Mr. Fraser:

Q. Well, then, Mr. Chairman, that definitely shows this: the more details you put in the more chance there is of perhaps whittling down on some of the items. Am I right in that, Mr. McIntyre?—A. Maybe.

Q. That is what has happened there.

The CHAIRMAN: Any further questions on this memorandum or on the change?

The question I have in mind on this is: Do you know, Mr. McIntyre, what were the reasons underlying the change? Are there any memoranda on that that your department might have?

The WITNESS: There was the memorandum Mr. Bryce presented to the committee, a record of the statement made by the Minister of Finance in the House when the change was made. That is already printed in the evidence, and the only additional thing is the Order in Council that was passed to approve of this change.

The CHAIRMAN: Would members consider that it might be advisable for our study, since we already have on record the part of the speech made by the Minister of Finance when the change was made, to add as an addendum or appendix the Order in Council that was passed at the time to implement that change?

Agreed.

Are there any further questions?

(P.C. 830, dated 15th April, 1937, is printed as appendix B).

Before we adjourn for the day I have a question for Mr. Drew, if the chairman may be permitted to ask a question. Mr. Bryce wrote to me in connection with the list of properties that Mr. Drew had asked Mr. Bryce to prepare. I will read the letter. It is addressed to me.

Ottawa, May 22, 1950.

L. P. Picard, Esq., M.P.,
Chairman, Public Accounts Committee,
House of Commons,
Ottawa, Canada.

Dear Mr. Picard:—

You will recall the list of properties owned by the Crown, or agents of the Crown, which I was to have prepared for the Public Accounts Committee. These are properties of an industrial, mining, or more or less commercial nature other than residential or farming property, and other than those used directly for the ordinary purposes of government.

There is one major question about this list which I felt you should consider and on which you should give me some direction. Should I include in this list properties held by the custodian of enemy property? The legal position of the custodian, as I understand it, is a borderline case, and it is not clear to me whether in acting in his role as custodian he can be regarded as acting either for the Crown or as an agent for the Crown. Since the custodian holds a considerable number of properties of this character, it is a matter of some consequence. Perhaps you could speak to me or drop me a line about this matter within the next day or two.

Yours truly,

R. B. BRYCE,

Therefore Mr. Bryce would like to have this information from you, since you are the one who asked the question.

Mr. DREW: Yes, Mr. Chairman, I think it would be advisable to include that because as I understand it, those properties have passed under the control of the Canadian government.

The CHAIRMAN: I see. Then, Mr. Bryce, those should be included.

Mr. DREW: When will I have that?

The CHAIRMAN: I understand that all the departments have been asked to supply it and that they are in the course of preparing the material. It will be available to the committee as quickly as possible.

Mr. DREW: Could Mr. Bryce give us an indication of some date when it may be expected?

Mr. BRYCE: My department will have some of the figures in a few days. I cannot tell you the situation in the larger departments; I know they are all working preparing the list.

Mr. DREW: I don't want to embarrass anybody but I was interested in finding out the procedure being followed in compiling the information. And may I say that Mr. Bryce has been extremely co-operative in every way. If there are certain reports in, I think it would be highly desirable that we should have those reports because we could then proceed to a consideration of the matter while we were awaiting the reports from the other departments.

The CHAIRMAN: I think, Mr. Drew, that we should have all the reports before us at one time so that the whole matter may be dealt with as a subject. I think it would be better if we were to follow the report of the steering committee yesterday, that we hasten the completion of the subject matter now before us and then go on to the public accounts. Your questions relating to the Cartierville and other properties came up during the discussion of the Auditor General's recommendations with regard to the estimates and as soon as Mr. Bryce has the material available we will arrange to have it presented to the committee. It was the decision of the committee yesterday that we would complete this matter of the recommendations of the Auditor General with regard to the estimates as quickly as possible, and at least within a limited number of sittings, to have it completed either next week or the week after. Another matter which remains to be dealt with is the hearing of officials from Surplus Crown Assets and the Department of Munitions and Supply concerning the Cartierville property.

Mr. DREW: Of course, the Cartierville property is only one. I gave that as an example, but it is only one of the properties under consideration. I would point out that there will be a number of properties for discussion, and for that reason I simply repeat my suggestion that if we are in any way running short of other matters—

The CHAIRMAN: Oh no, we are not. We have too much facing us at the present time, that is our difficulty.

Mr. DREW: May I assure you, Mr. Chairman, that I am just as anxious as anyone else is to get into the public accounts but I think we ought to have some information in regard to this subject. There is also another request I made about which I would like information. I asked Mr. Bryce to prepare a list of those items in the estimates which included not only approval of expenditures but legislative authority itself. When will that be ready?

Mr. BRYCE: We are working on that now and I hope to have a statement ready for you on it very shortly.

The CHAIRMAN: There is also the suggestion from Mr. Thatcher, although not within our terms of reference at all, concerning the calling of the statistician, Mr. Marshall. I understand that he will be at our disposal on Thursday, and while we want to limit the number of witnesses, I suggest that we arrange to hear him; that is, unless Mr. Thatcher would like to withdraw his request.

Mr. THATCHER: Well, Mr. Chairman, the subject is not a controversial one and there should be no contention about it. It is one way in which we could save a certain amount of money and I think we could finish with Mr. Marshall in fifteen minutes.

Mr. FRASER: In how long?

Mr. THATCHER: I do not think there is anything contentious about it and I would like to have him called.

The CHAIRMAN: If it is agreeable we will have Mr. Marshall on Thursday. He is supposed to be back on Wednesday. However, the work of the committee will take its normal course. The witnesses about the Cartierville affair will probably be available next week.

Mr. BROWNE: Have you finished, Mr. Chairman?

The CHAIRMAN: Well, Mr. Browne, we still have five minutes, if there are any questions you would like to ask.

By Mr. Browne:

Q. In the Auditor General's report he refers to an item of \$11 million—that is on page 19 of the Auditor General's report, item 66, vote 67.—A. That is the payment for the Canadian Wheat Board?

Q. Yes, on page 19. How was that authorized?—A. There was an order in council authorizing that payment on account of the deficit.

Q. Then you approved of it?—A. Yes, sir.

By Mr. Fraser:

Q. Mr. Chairman, we have a few more minutes and I have one other question I would like to ask. What departments of government have used all their blocked currency?—A. Speaking from memory I would say that any department of the Canadian government that requires currency in countries where we hold blocked currency, can use this blocked currency.

Q. Well then, that would not show in our estimates?—A. The only department that has any right is External Affairs under that \$1 vote.

Q. Would it show in our estimates before it did in the public accounts?—A. You mean, the requirements of the other departments?

Q. The amounts you supply each of the departments out of this blocked currency.—A. The amount received by National Defence which would probably be used to meet pay and allowance of servicemen on the Continent at the time or to pay the operating costs of their local offices in the area—

Q. And that would be shown in our estimates?—A. That would appear in the general distribution of expenditures in the Department of National Defence. It would not be identified as an expenditure made from blocked currency.

Q. I just wondered how you keep it apart.—A. Blocked currency is a cash account, accounted for as cash. Once you turn it into expenditures the expenditures become part of the charge to the appropriation of the service concerned.

The CHAIRMAN: Is there any need for calling the Comptroller of the Treasury further?

The meeting is adjourned to the call of the chair.

—The committee adjourned.

APPENDIX A**STATEMENT MADE BY THE HONOURABLE LESTER B. PEARSON
BEFORE THE STANDING COMMITTEE ON EXTERNAL
AFFAIRS, MAY 4, 1950.**

I have seen the Auditor General's report concerning the one dollar item in my department's estimates and I have read in the press of the discussions which have taken place on this subject in the Public Accounts Committee. I feel it would be useful if in addition to the general remarks which I made about this item at the meeting on May 1 of the Standing Committee on External Affairs I made a more comprehensive statement describing the moneys involved under this vote, the manner in which they were obtained, the purposes for which they will be used and the reason for this vote appearing in its present form. I do not propose giving figures in respect of total claims, amounts of settlement, etc., because these are more appropriately matters for the Department of Finance and I understand that Mr. Sinclair intends to make a more detailed statement in Parliament at a later date when he will furnish these figures.

During the last war the civilian organizations of the allied countries followed the advance of the armies and distributed food, clothing and medical supplies to the civilian populations of the liberated European countries. The receiving countries included France, Belgium, the Netherlands, Luxembourg, Denmark, Norway, Italy, Greece and Yugoslavia. The supplies were provided by the United States, the United Kingdom and Canada to a total of about \$1,746,300,000. It was always understood that they were being furnished to the citizens of those countries on a repayment basis.

In the post-war years a committee known as the Tripartite Settlement Committee with headquarters in Washington examined the accounts submitted by the three supplying countries and determined the total cost of the goods distributed in all of the European countries as well as the amounts which had been furnished by each of the three countries. It was obviously impossible to determine what proportion of each country's supplies had gone into any particular European country. Therefore, it was decided that each supplying country would recover its expenditures on a percentage basis. It was calculated that Canada had supplied 5·3 per cent of the over-all total and accordingly was entitled to seek reimbursement from each receiving country in the amount of 5·3 per cent of the total military supplies bill for that country. For example, in the case of the Netherlands the total value of supplies distributed in that country was about 270 millions. Canada's claim against the Netherlands was 5·3 per cent of that amount or \$13,839,170.

Under the procedure agreed by the Tripartite Settlement Committee Canada presented a note to the government of each European country concerned advising of the total amount owing to Canada. These were identical notes except in the case of Italy and Greece where, having regard to the economic conditions in those two countries, it was stated that Canada would seek only nominal payment.

Although there were conversations from time to time between representatives of the Canadian government and representatives in Ottawa of the foreign governments concerning our military relief credits no direct negotiations took place, except in the case of the Netherlands, until early this year when Mr. James Sinclair, Parliamentary Assistant to the Minister of Finance, visited Europe to arrange the settlement of these accounts. He met with government

representatives of all of the countries concerned except the Netherlands with whom a settlement had been completed in 1948 and Greece where, because of the unstable political situation, inter-governmental negotiations were not possible.

Within the past few weeks formal notes confirming the details of settlement have been exchanged between the Canadian government and the governments of Yugoslavia, France and Denmark. It is expected that similar exchanges of notes will be carried out shortly with the other governments with whom Mr. Sinclair had discussions. So much for the money which will be used under this vote and the manner in which they were obtained.

The purposes for which these currencies will be used are set out in the wording of vote 67 of our estimates. By 1948 it had become apparent that the economic recovery of Europe had not been sufficient to permit these countries to settle our claims entirely in Canadian dollars. It was equally apparent that there were some countries which would find it impossible to make any payment in Canadian dollars. In fact, the United States government normally lumped their military relief claims with other claims on which it made settlements involving considerable write-offs. The United Kingdom government took similar action in a number of cases.

When it was accepted that at least partial payment of the claims would have to be in foreign currencies which could not be used for ordinary commercial purposes, consideration was given to the manner in which the Canadian government could profitably use these moneys. A number of Canadian diplomatic missions had just been opened or were in the process of being opened in Europe and the problem of both office and living accommodation was presenting considerable difficulty. Excessive rentals were being asked for the few leased premises which were available and our experience was that appropriate residences for Canadian heads of mission could, in most cases, be acquired only by purchase. Accordingly, it was decided that one way in which these local currencies could be used to advantage would be by purchasing premises and furnishings, provided suitable buildings at reasonable prices were available.

This brings me to the form of vote 67 which first appeared in our supplementary estimates for 1948-49. From the review which I have given you of this matter, you will see that when we were preparing our estimates for the fiscal year ending March 31, 1949, we were faced with one known factor and four unknown factors. It was known that the foreign currencies which would be deposited to the credit of the Canadian government in northwest Europe could be used for the purchase of properties, provided the premises were suitable and the price was reasonable. The unknown factors were:—

- (a) Would the military relief accounts be settled before the end of that fiscal year?
- (b) What would be the level of real estate values in the various countries at the time purchases would be contemplated?
- (c) Would a residence or a chancery or both be purchased in any particular country?
- (d) What amounts would be available from these settlements and in what period would we be able to make the expenditures, having regard to availabilities and to the limited staff at our disposal to carry out the transactions?

We recognized that, in these circumstances, it would be extremely difficult to insert a figure in our estimates for any twelve-month period which would approximate reality. At the same time it was necessary to draw the attention of parliament to the fact that these blocked currencies existed. It was also necessary to obtain parliamentary approval of the purposes for which it was

proposed these moneys should be used. It was decided that these conditions could be best met by inserting a vote in the form of the present vote 67.

Members will also appreciate that our bargaining position both as regards the settlement of the military relief accounts as well as the purchase of any properties, could be prejudiced if estimated expenditure figures were published before such negotiations commenced.

An item of this kind first appeared in the estimates of the Department of External Affairs for the fiscal year as I said ending March 31, 1949. The same item was included in the department's estimates for the year ending March 31, 1950. The nature and purpose of the item were explained to this committee on November 23, 1949, and were accepted by the committee including most of those members who are now raising some doubts as to the form of the vote.

I can assure those members who now take objection to a procedure which they have found, I assume, satisfactory for the past two years, that we are prepared to meet their proposals for the revision of this vote in any way that is legal and workable.

That is the story of the one dollar item.

I have made it fuller than perhaps was necessary but I felt that a complete review of the situation was desirable because, when reading reports of discussions and statements on the subject, I gained the impression that a number of members, some of whom sit on this committee were somewhat confused as to the origin of the currencies, the method of settlement with the countries concerned and the manner in which expenditures would be accounted for.

Perhaps before concluding, I should refer to some of the questions on which clarification appears necessary. It has been stated, I think, by the Auditor General, that these moneys must be spent in the country of origin. This is not correct. In more than one case we have arranged under the terms of settlement that the currency of one country may be used for specified purchases in another European country.

I have seen a statement that the External Affairs expenditures for property purchases are not shown in the public accounts and do not appear in any published record. May I direct your attention to page E-10 of the public accounts of Canada for the fiscal year ended March 31, 1949. There you will see vote 698 which is the one dollar item in the same form as it appears under vote 67 in the estimates which you are now considering. As foot-notes to this vote you find explanations of two purchases made by the Department of External Affairs during that fiscal year—one of furnishings in Denmark and one a property purchased in the Netherlands.

I assume the public accounts for the fiscal year ended 31st March, 1950, will show the details of two property purchases carried out in that twelve month period.

It is Mr. Wright, I believe, who is reported to have made the statement that "we as parliament have never made any vote to the Department of External Affairs for the purchase of properties in other countries". As members of this committee know, there has been included every year an amount to cover our intended purchases except those for which blocked currencies will be used. The estimated costs of these proposed purchases have been included in our capital items and have been the subject of discussion in this committee in other years. I would expect that a discussion of the same nature will take place in the committee this year.

Purchases under the one dollar item were discussed by this committee last year and, if you look at page 91 of the report of last year's meetings, you will see that the Under-Secretary reported that purchases by the department in Paris, in Rome and in Copenhagen, were under consideration. Mr. Heeney explained that these purchases would not involve expenditures apart from the

blocked funds available in those countries. Mr. Heeney went on to give a review of our property position in all of the European countries to which Mr. Fleming had referred when describing his trip through Europe.

As committee members know, the department does not have, as has been suggested, a free hand in the expenditure of blocked currencies. Each proposed purchase must be submitted to and approved in advance by Treasury Board. Before any such submission is prepared, the Under-Secretary and the minister must satisfy themselves that the proposal represents good value for Canada. I can best describe our policy by repeating the excerpt which I read to you at our meeting of May 1, from the instructions on this matter which the Secretary of State for External Affairs issued to the Canadian heads of missions in each of the European countries where we have a military relief credit:

I wish to emphasize that the same considerations should apply to the selection of premises that may be available under this scheme as would apply if the premises were being purchased for cash. I would not be ready to recommend to Council the payment of an unreasonably high price even though payment were to be made in the form of a credit against military relief obligations, nor would I recommend the purchase of premises larger than were necessary, even if the price were reasonable, since the maintenance costs could not be justified.

That is the end of my statement, Mr. Chairman.

APPENDIX B*(Copy)*

P.C. 830

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 15th April, 1937.

The Committee of the Privy Council have had before them a report, dated April 14, 1937, from the Minister of Finance, submitting as follows:

That the existing form of the Estimates of Canada, adopted at Confederation, is inadequate for present requirements because of a number of defects of which the following may be cited:

1. Statutory authorization of certain expenditures, which should be subject to the annual review of Parliament.
2. Provision for the requirements of one service under several items in the Estimates.
3. Inclusion of a general item for Civil Government, authorizing salaries and contingencies for practically all Government services.
4. Provision for numbers of distinct activities in one general item.
5. Assembly of items under obsolete captions without relationship to existing departmental responsibility.

The above structural defects have made impossible the presentation to Parliament of intelligible details of the costs of services. The present arrangement is not only lacking in essentials, but is actually misleading. For instance, a definite sum being provided in the Estimates for a specific purpose, it is a fair assumption that such amount is the cost of that service. In fact, this is rarely true for in the majority of instances further provision is made in Civil Government or some other general item. Only an experienced accounting officer, with ample time at his disposal, can compute the real cost of most services.

The Minister, believing that there is obvious need of immediate revision, which will give Parliament precise information on the cost of the various services carried on by the Government, recommends that the Estimates for 1938-39 be compiled in accordance with the following:

1. An item for each distinct project, service, or grant.
2. Elimination of items of a general character, as far as possible.
3. Assembly of items under the department responsible for payment or administration.
4. Subsection of annual votes for certain statutory appropriations, mainly those of an administrative character which should be subject to the annual review of Parliament.
5. Notation of estimated total cost of any construction project which will not be completed during the fiscal year for which provision is made.

The Minister also recommends that preliminary revision in accordance with the above and final decision on the details and form of the Estimates be subject to the approval of the Treasury Board.

The Committee concur in the foregoing recommendations and submit the same for approval.

E. J. LEMAIRE
Clerk of the Privy Council.

OTTAWA, February 3, 1938.

REVISED FORM OF ESTIMATES

In the Budget Speech of last year I made an attempt to show the percentage distribution of our revenues and expenditures, but found it necessary to point out that the form of our Estimates and Appropriations made it impossible to achieve accuracy in such calculations. I then stated that before another year had passed I hoped to be able to introduce such changes in our procedure regarding Estimates and Accounts as would make it possible to determine more accurately the real costs of the various services of Government.

I am glad to be able to announce to the House that the Main Estimates for 1938-39, which are now being tabled, are being presented in a new form, with what I believe is a greatly improved classification and with much greater detail. The purpose of the revision is to facilitate a greater control over expenditures and to present a clearer and truer picture of the operations of Government.

The need for revision has been recognized for years, in that items in the Estimates did not reflect the cost of services. In this respect they were actually misleading, because, with few exceptions, they were supplemented from Civil Government or other appropriation of a general character. Other defects included provision, for numbers of distinct activities under one general item, and assembly of items under obsolete captions without relationship to existing departmental responsibility. The principal object of the revision is to give to Parliament, by removal of these defects, a reasonably accurate estimate of the costs of functions, assembled under the departments responsible for administration.

Application of this principle involved re-arrangement of votes and disappearance of the Civil Government and Miscellaneous sections. It also involved selection of the distinct services or projects on which the taxpayer's money is spent and insertion of an item for each. As all expenses can not be allocated on this basis, the remainder for the department or branch has been included under an item for Administration. As comparisons with Estimates of the previous year are always of first rate importance to Parliament, these have been shown in each instance. The amount entered for 1937-38 is the sum voted for that particular function, though it may have been authorized under several general or specific votes for that year. Any Member interested may obtain details of these allocations of former votes in Committee of Supply.

The new form is composed of two main sections. The first, to page 53, is made up of items to be included in the Supply Bill, together with statutory appropriations (marked "S"). The second section, from page 54 to the end, is for the information of Parliament and will not be in the Supply Bill. In the first section, division by items has been with the object of showing clearly the cost of the various services carried on by the Government. The second section, which is entirely new, is designed to furnish Parliament with detailed information as to how the various proposed votes are to be spent. For convenience the page number of the details is printed opposite each item.

In effect, items in the first section will become votes which must be administered strictly in accordance with their terms and amounts. On the other hand, the details by objects of expenditure contained in the second section may be varied to meet administrative requirements. In general, they will be the basis of classifications compiled by each department at the beginning of the fiscal year under the terms of section 26 of The Consolidated Revenue and Audit Act. These classifications are submitted to the Department of Finance and may not be amended except with approval of the Treasury Board.

The ruling principle of this revision has been the endeavour to furnish the cost of functions. At the same time, it has been necessary to give due consideration to the requirements of administration, accounting and audit, since all are necessary to a full measure of Parliamentary control. While the new form is an attempt to meet all essentials, it is not regarded as final. Rather, it is believed that experience in operation and consideration here will suggest further improvements for future years.

I need not say that the changes which have been made have resulted in a great deal of work during the past year for all the departments and for the Treasury Board. It will be clear, also, that the larger number of votes will probably increase the work of my colleagues and their departmental officials in getting their estimates through the House. We have, however, received the co-operation of all departments in making the revision possible, and I trust that the changes which have been introduced will, after study, commend themselves to the House.

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